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ROGER PEARSON
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FAMINE IN AFRICA

By David Osterfeld

Famine is nothing new to Africa. Indeed, it occurs with alarming frequency. But by all acounts, the 1984-85 famine is "the worst in African history." A million Ibos perished from famine in Nigeria in the late 1960s. About 30 percent of the livestock and 100,000 to 300,000 Africans starved to death during the famine in the Sahel just over a decade ago. But these figures pale when compared to estimates regarding the 1984-85 famine. Hundreds of thousands of livestock have perished and according to some reports "two million people have already died, half of them in Ethiopia."(1) The United Nations estimates that:

> At least 150 million persons are faced with starvation in the 24 most affected countries: Angola, Benin, Botswana, Cape Verde, Central African Republic, Chad, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Lesotho, Mali, Mauritania, Mozambique, Sao Tome and Principe, Senegal, Somalia, Swaziland, Togo, United Republic of Tanzania, Upper Volta, Zambia and Zimbabwe.(2)

For the past two decades agricultural output in most African countries failed to keep pace with population growth. Per capita food production for the continent as a whole declined by ten percent during the 1970s, a decline that has continued during the first half of the 1980s. Not surprisingly the decline for most of the famine-stricken countries was even more precipitous. Per capita food production in Ethiopia fell by 15 percent during the 1970s. In Mali the percentage decline was 12; in Guinea, 13; Lesotho, 14; Tanzania, 15; Angola and Guinea-Bissau, 19; Mauritania, 23; Senegal, 24; Ghana, 26; Mozambique, 27; and Somalia, 34.(3)

What is so striking is that the collapse of African agriculture parallels equally dramatic increases in food production in *every* other region of the world. During the 1970s per capita food production increased by nine percent in both North and South America, six percent in Asia and Oceana and 17 percent in Europe. In fact, even with the decline in African agriculture, world per capita food output still increased by five percent

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during the 1970s. Put differently, since 1948 when the UN's Food and Agriculture Organization first began collecting such data, world food production has increased by about 40 percent, or just over one percent per year.

Worldwide production of wheat and food grains, for example, increased by 100 percent during the past two decades, leading some to claim that "we have entered an era of permanent grain surpluses."(4) The world grain *surplus* currently stands at a record high of over 190 million tons, or about 50 times the amount required to cover the entire Sahelian grain shortfall for all of 1985.(5)

Clearly, the African famine is not the harbinger of a worldwide food shortage. Throughout the twentieth century the world has dramatically improved its ability to feed itself and this trend shows no sign of abating. The prospect of famine has been all but eliminated throughout the world — except for Africa. The key question, therefore, is why has African agriculture, which had vastly improved during the first half of this century, undergone such deterioration during the past two decades, while agriculture in other regions of the world continued to advance?

Several hypotheses have been advanced to account for the state of African agriculture. These include 1) "the drought," 2) "the colonial legacy," 3) "overpopulation," and 4) "the dearth of foreign aid." Each will be examined.

1. The Drought

The drought is the most commonly proffered explanation for the current state of African agriculture. There is no doubt that a large portion of Africa experienced a severe drought. Nor is there any doubt that this aggravated the difficulties of food production. But it is equally clear that drought, *in itself*, cannot account for the famine.

Droughts occur with regularity throughout the world. Yet, with a few notable exceptions such as Bangladesh and India in the early 1970s, they are no longer accompanied by famine, *except in Africa*. For example, the North American Great Plains have experienced major droughts at about 20 year intervals dating back at least to 1787, the most severe being the so-called Dust Bowl years of 1934-36. A major drought was recorded in California in 1977 and the 1975-76 drought in

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England was labelled "unprecedented" in its severity. None of these resulted in famine. In fact, the 1977 California harvest was a record high, and food production in England increased by 20 percent during the last decade, with the bulk of the increase, 15 percent, occurring between 1975-80. Moreover, not only has overall production increased but the *relative* decline during droughts in the U.S., i.e., the percentage decline from the trend, has been markedly reduced. U.S. wheat production, for example, fell from 26 percent during the drought of the 1890s to only 17 percent during the drought in the 1970s.(6)

Advances in farming, transportation and communications technology utilized in the Western or Market Economies have all contributed to making agriculture less vulnerable to climatic fluctuations such as droughts, floods, tropical storms and the like. These countries have become so adept at coping with natural disasters while drought has become so closely associated with Africa that the common perception is that Africa is a uniquely disadvantaged continent. In fact, the reverse is the case. "The United States and Japan," Nick Eberstadt has written,

> happen to be more subject than most regions of the earth to sudden natural disturbances. The Japanese archipelago, after all, is an earthquake zone, buffeted by tropical storms and exposed to *tsunami* (tidal waves). The U.S. land mass is threatened by earthquakes, tropical storms, and tornadoes, and the country, in addition, has more active volcanoes than any other. Nevertheless, very few people in Japan or America die from these natural perils.
>
> The African continent, by contrast, would appear to be comparatively well-protected against sudden diasasters. It is exposed only slightly to tropical storms and tidal waves, has only a small earthquake belt, few active volcanoes, and it experiences tornadoes only in South Africa. Despite these natural advantages, however, sub-Saharan Africa has been stricken by perennial disaster in the decade since decolonization was effectively completed.(7)

In short, drought aggravates the difficulties of food production. But there is no reason in today's world for a drought, in itself, to cause famine.

Finally, the drought hypothesis fails for an even more fundamental reason. It is logically impossible for an event, x, to cause

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an event, y, when y *preceded* x in time. But since African agriculture began to deteriorate well *before* not only the 1984-85 drought but even the drought of 1973-74, this is precisely what is required for the drought thesis to be correct.

Thus, the drought thesis fails to provide an adequate explanation for the famine.

2. The "Legacy of Colonialism"

Colonialism, which has been advanced by the Soviet Union as the explanation for agricultural deterioration and famine, is even less credible than the drought thesis. If colonialism were responsible for the plight of African agriculture then those countries which were never colonies should have the most vigorous economies. There are only two such countries: Liberia and Ethopia. Per capita food production in Liberia declined three percent during the 1970s, while Ethiopia is the country hardest hit by the current famine, with estimates of about a million Ethiopians already having perished and several million more endangered.

While colonialism might hypothetically retard agricultural development and economic progress there is no *necessary* reason for this to be the case. It should not be forgotten that such developed countires as the U.S. and Canada, New Zealand and Australia were once colonies. Such rapidly developing countries as Malaysia and Singapore did not become independent until well into the twentieth century. And Hong Kong is still a colony.

Historically, colonialism appears to have been a powerful stimulus to Third World economic development. It was the British who brought the rubber plant to Malaya, tea to India and, among other crops, cocoa, peanuts and cotton to Africa. The colonists suppressed tribal warfare and introduced Africa to modern medicines. Through their efforts railroads were built and jungle paths were turned into roads. These improvements in transportation facilitated trading which in turn stimulated cash-crop farming. The overall result, notes economist Peter Bauer, was that in Africa:

> many colonies progressed rapidly during the colonial

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> period....In British West Africa public security and health improved out of all recognition over the period. Peaceful travel became possible; slavery, slave trading and *famine* were practically eliminated, and the incidence of the worst diseases greatly reduced.(8)

Finally, it is noteworthy that in nearly every case, the deterioration of African agriculture began shortly *after* the acquisition of independence. Thus, far from being a cause of famine, the historical record indicates that colonialism was actually a major factor in preventing it.

3. Overpopulation

The proposition that Africa is prone to famines because it is overpopulated is likewise unconvincing. Compare, for example, Europe with Africa. With only about 35 people per square mile Africa is one of the least densely populated regions of the world. Europe, by contrast, has over 250 people per square mile. Africa is far better endowed with natural resources and it has an *agricultural* area of nearly 400 million acres, second only to Asia's 403 million acres. Europe has an agricultural area of 92 million acres. On the basis of these figures one would expect Africa to have an abundance of food and Europe to be plagued by famines and chronic food shortages. The opposite, of course, is the case. With over four times Europe's agricultural area, Africa's 1980 cereal production was 71 million tons, or less than one-third of Europe's 260 million tons. The ratios for fruit and vegetable production are nearly identical. And this was *before* the drought and famine.

How can this seeming paradox be explained? It is important to note where famines do and do not occur. As Bauer has observed:

> Contemporary famines and food shortages occur mostly in sparsely populated subsistence economies with abundant land. There is no shortage of land in areas such as Ethiopia, the Sahel, Tanzania, Uganda and Zaire....It is notable that no famines are reported from such densely populated regions of the less developed world as Taiwan. Hong Kong, Singapore, Malaysia and cash crop producing areas of West Africa.(9)

Thus, the incidence of famine is not necessarily associated with population density. Indeed, sucessful densely populated

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areas typically have numerous storage facilities and much better communications and transportation networks. The storage facilities permit warehousing of food which is then available in the event of a shortage. The communications facilities enable the dissemination of information about agricultural conditions. And the transportation system allows for the rapid movement of food to the affected areas. These are the conditions necessary for the maintance of high population density. Africa has failed to develop these prerequisites. In some parts of Africa 60 percent of the local harvest and 30 percent of all food imports are lost to rats and insects or rot due to lack of proper storage facilities.(10) Moreover, subsistence farming is common in sparsely populated areas. Farm sizes are small and the tools and methods used are primitive. Hence, yields are extremely low. Cash-crop farming is essential in more densely populated areas. Farm sizes are much larger. The tools and methods used must be far more sophisticated, and yields much higher.

Certainly the rapid increase of the African population, due to the successful efforts of the World Health Organization in controlling disease, has resulted in a substantial strain on the traditional agricultural system (with the women of Kenya producing eight children on the average, and many African countries presently increasing their population at a rate which results in doubling the population every twenty-five years). But as the statistics indicates this itself is no reason why agricultural production cannot keep up with population, as such countries as India show. We will return to this subject shortly.

4. "The Dearth of Aid"

According to many African officials, the cause of the famine is that Africa has received too little aid from the industrialized West and is therefore unable to develop. This argument is not only self-serving; it is unconvincing.

First, the total *net* transfers of capital, public and private, from the West to the Third World between 1950 and 1985 amounts to *the staggering sum of over $2 trillion in 1985 prices.* Private investment accounted for about 25 percent of this total but its share has fallen from about 40 percent in the 1950s to only 16 percent in the 1980s. $2 trillion, Eberstadt notes, is enough to purchase not only all the industries on the New York Stock Exchange but, in addition, the entire American farm

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system.(11) What has this massive transfer accomplished?

Africa, in the words of one observer, has been "smothered" with Official Development Assistance, or ODA. The World Bank reports, for example, that ODA totalled five percent of the gross domestic investment of the low-income countries of South Asia but over 40 percent in the low-income countries in Africa.(12) But, for the last ten years per capita income in South Asia's low-income countries grew over five times faster than it did in the low-income African nations.(13)

Tanzania, which received more ODA per capita than nearly any other nation in the world, provides a graphic illustration of the effects of "aid." As its ODA increased, Tanzania's economy deteriorated. Production of export crops declined by 40 percent, the manufacturing sector is now operating at less than 20 percent of capacity and the government bureaucracy has doubled in less than a decade.(14) A food exporter in 1970, Tanzania imported over $16 million worth of food in 1980.

A striking contrast is provided by what Peter Berger terms the Asian crescent countries of Japan, Hong Kong, Singapore, South Korea and Taiwan. Japan is a fully developed country. But its development was achieved without the benefit, or curse, of ODA. Hong Kong and Singapore received negligible "aid" yet both have sustained growth rates at nearly ten percent per year for the past two decades. And the equally impressive performances of Taiwan and South Korea began "only after large-scale economic aid from the U.S. was discontinued."(15)

This is not to say that ODA *precludes* development or that its absence *causes* it. Development is a complex issue depending on many factors. But the evidence does indicate that ODA tends to hinder development. If so, far from receiving too little "aid," the countries of Africa are the recipients of too much of it.

But what of emergency relief such as the millions of dollars and tons of food extended to famine-stricken countries like Ethiopia? Surely, this "aid" must actually aid. Again, the record speaks for itself. During the 1973-74 famine, Ethiopia received large amounts of food from Europe and America. Although Eritrea and Tigre were the provinces most affected, food was diverted away from them in order to starve the rebels there into submission. The government sold much of the donated food on the world market, the money apparently going into the pockets of the regime members. The government even

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offered to sell the United States 4,000 tons of grain which we would donate back, thereby helping the United States to fulfill its pledge of 22,500 tons of donated food. The offer was declined.(16)

The actions of the Mengistu government during the current famine are remarkably similar. While thousands starved, the Marxist government not only spent over $200 million to celebrate the tenth anniversary of the Marxist revolution, but it also earned about $15 million in revenues by charging ships loaded with donated food a port-entry fee of $12.60 a ton. Ships unable to pay the fee have been turned away, cargo unloaded.(17) Again, the Eritrea-Tigre area has been sealed off, and those smuggling food into these areas have been attacked by the Army. Food shipments have been siezed. Some of it has been used to feed the Army. Some of it has been sold on the world market, the money used to purchase munitions for the war against the rebels. "Most food destined for Eritrea – as much as 100,000 tons each month – has arrived at the Ethiopian-controlled port cities of Aseb and Mitsiwa." But since, says Anthony Suau, "Ethiopia tries to prevent outside aid from reaching people in Eritrea....food and medicine must enter the way I did: from Sudan, crossing the border without official permission and moving only at night to avoid Ethiopean planes."(18) Moreover, the steady trickle of Eritrean refugees into Sudan, about 400,000 since 1967, has been turned into a flood, with many of these either starving or wounded from strafing and the bombing of civilian centers by the Ethiopian military.(19)

The evidence seems clear. "Aid" had rarely aided. The reason is not hard to find. "Aid" goes not to the needy but to their governments, which use it as they prefer. Since "aid" ceases if the nation develops, foreign "aid" creates a perverse, perhaps criminal incentive: it gives the leaders of the Third World a vested interest in policies which will retard or even prevent development and thus keep the needy, needy.

In brief, the "dearth of aid" argument is unconvincing. Far from being a solution to the problems experienced by the less-developed countries, foreign "aid," whether for long-term development or short-term emergency relief, appears far more likely to be a major cause of them.

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Part II: The African Assault on Agriculture

Four diagnoses of the famine have been examined and found wanting. How then does one account for the current state of African agriculture?

Government policies in the 24 famine-affected countries differ significantly from policies pursued in those countries not threatened by famine. In their haste to industrialize, those countries currently experiencing or threatened by famine have pursued policies that, taken as a whole, amount to nothing short of an assault on agriculture. These policies include the following:

1. The Marketing Boards

The stated purpose of the agricultural marketing boards is to insulate the African farmer from fluctuations in world prices. In fact, these boards have typically been used to raise government revenues. The farmer *must* sell his produce to the board, which markets it on his behalf. But since the board is a government monopoly, it need only pay him a fraction of the actual market value of his produce. The typical farmer in Tanzania, for example, receives about 10 percent of the value of his produce. Farmers in Kenya receive about 15 percent, and in Ghana about 20 percent.(20) Adding insult to injury, the farmer may then be forced to pay taxes on the income. Put differently, the farmer in Tanzania is taxed at a rate in excess of 90 percent, in Kenya at over 85 percent and in Ghana at about 80 percent. Marketing boards are found in Ethiopia, Nigeria, Zambia, and Upper Volta, to cite just a few.

The results were predictable. In its report on the Cocoa Marketing Board in Ghana, the World Bank observed that

> As cocoa has become less profitable, Ghana's production has plummeted — from a peak of about 540,000 tons in 1965 to about 250,000 tons in 1979. The volume of exports has fallen by almost 80 percent over the same period. An estimated 45,000 tons a year have been smuggled to neighboring countries....By 1979 Ghana had lost its rank as first world producer and exporter of cocoa, which it had held since the early 1960s. Many farmers have switched to other corps such as maize and rice . . . . But this switching...involves heavy losses for the country. If farmers were to receive even half the world price for

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cocoa...their net return per hectare (in 1979 prices) would be more than seven times that of rice and more than fifty times that of maize.(21)

2. Outlawing Middlemen

The market boards could not operate as government revenue agents if farmers were free to sell their produce elsewhere. Thus, governments have outlawed or severely restricted transport and marketing activities. Again, Tanzania is an example. In order to "force farmers to sell only to official government buyers" the government "forbade the transport of food." Hence, "the farmers have no direct access to the market." Those caught violating the prohibition are severely beaten or killed.(22) Similarly, Ethiopia has prohibited the private sale of all farm produce and uses its secret police and the army to enforce this law with equal if not greater harshness. The internal movement of food to affected areas has been effectively eliminated. Indeed, were it not for food smuggling and black markets, the number of famine victims would be much greater.

3. Fixed Exchange Rates

Many African countries have established fixed exchange rates at artificially high levels. This makes it difficult or even impossible for a country's exports to compete on the world market. "This lack of competitiveness," the World Bank has noted, "became particularly serious in sub-Saharan Africa during the 1970s....Several African countries now find that producers of traditional export crops cannot be paid enough to cover their costs of production, even though these are crops for which they have a strong comparative advantage."(23)

4. Tariffs, Licensing Restrictions, Subsidies and Minimum Wages

In order to stimulate industry and to appease the small but politically powerful urban elite, highly protectionist policies have become quite common. Private foreign investment has been discouraged and foreign-owned companies have been nationalized. Tariffs, subsidies and extensive licensing restrictions have been introduced. The purpose is "to reduce the risk of investing in domestic manufacturing by protecting local industries from competition." And unrealistically high mini-

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mum wages have often been enacted in order to raise the incomes of urban labor. The costs of these programs, Sara Berry notes, "was borne primarily by the agricultural sector." (24) Exclusion of foreign goods and the protection afforded domestic industries have permitted domestically manufactured goods to sell at well above free market levels. Thus, the African farmer must typically confront artificially inflated prices with an artificially deflated income.

5. State Farms and Collectives

Of the numerous socialist experiments in agriculture, none have been a success; many have been calamitous. The reason is not hard to find. Capitalism correlates individual merit, i.e., the value of one's service to others, with individual reward. Socialism severs this connection. Other things being equal, the income of a farmer working his own land would be proportional to his yield. The greater his yield the higher his income. But since the output of a socialist collective is divided equally among all its members, the individual farmer is neither rewarded for any extra effort nor penalized for any shirking. Thus, while private property encourages hard work and service to others, collectivism does the reverse. As one who has had direct experience with it observes,"in the egalitarian collective...indolence is its own reward." (25) The inevitable result is that output is dismally low. But while socialist countries like China have been busy dismantling their state farms, many African countries are busy creating them.

Ghana received its independence in 1957. It established large state farms in the 1960s. During the 1970s its per capita food production declined 19 per cent. In 1970 Tanzania began its *ujuma* program, resettling 13 of its 18 million people onto 8,000 collective villages. A food exporter in 1975, it is now a major food importer. Mozambique became independent in 1975 and promptly established state "collectives on the Chinese model." Between 1975 and 1980, per capita food production declined 12 percent. State farms in Zambia have received a disproportionately large share of the state's agricultural resources, but they have responded with declining output. Despite what the World Bank terms its "abundant potential," Zambia's per capita food production declined 8 percent during the 1970s. And though comprising only four percent of the cultivated

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land, state farms in Ethiopia receive 90 percent of the state's investment in agriculture. Yet "their performance has been very poor. Production has fallen steadily. Nevertheless, the ten-year plan calls for a doubling of the state farm sector." (26)

In short, "those countries which have done the best," reports *The Economist*, have encouraged private ownership of land, or given peasant farmers security of tenure. The least productive have been those which have encouraged state and collective farms."(27)

6. "Land Reform"

In marked contrast to the way it is usually depicted in the media, much of Ethiopia is very fertile country, ideal for agriculture. In an article for the *New York Times*, Thomas Johnson noted that "agronomists say Ethiopia could easily become the grain basket for much of Europe if her agriculture was better organized."(28) According to the *Encyclopaedia of the Third World*, "climatic and soil conditions give it (Ethiopia) one of the strongest agricultural potentials in sub-Saharan Africa," but the report adds that "so far agricultural development has been limited."(29)(30)

In March, 1975, the new Marxist government nationalized *all* land. The Feudal period ended; "Ethiopian Socialism" began. But instead of development, agricultural performance, poor to begin with, deteriorated rapidly. But this should not be surprising. Consider the positions of the Ethiopian farmer before and after the "land reform".

Prior to 1975, land, especially in the southern provinces, was owned in large units, some in excess of a million acres, by landlords, 27 percent of whom were absentees. The landlords had originally received the land either as gifts from, or in return for services to, the Emperor. The landlords parcelled out the land in small units, usually about three to five acres, where it was tilled by tenants who paid 50 to 75 percent of their produce to the landlords as rent. The exorbitant rents and high taxes reduced the peasant's incentives to till the land more intensively, or to make other improvements which would increase output. And the small plots hindered the introduction of mechanized equipment. The plow, pulled by oxen or humans, was the chief agricultural implement. The result was a system which lacked incentives for the farmer to produce

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little beyond the subsistence level.

After 1975, the state became the sole owner of all the land. Individuals were granted the right to *use* the land but not to *own* it. Land was distributed by some 32,000 peasant associations. The principle of distribution was to allocate to each family enough land for it to support itself but no more. The maximum plot size was less than 25 acres. In addition, the use of hired labor was prohibited, as was the private sale or marketing of farm produce and machinery. The primary purpose of the reform, according to the United Nations Food and Agricultural Organization which applauded the reform as "forward looking," was to prevent the emergence of "commercial agriculture."(31)

Thus, before land reform most land was owned by a small group of landlords; after the reform all land was owned by the state. Before the reform the peasants paid high rent to the landlords; after the reform they pay high taxes to the state, and they are forced to sell their produce to the state at prices set by the state. Before the reform plots were small, making mechanized agriculture uneconomical; after the reform plots were still small, but mechanized agriculture is now not only uneconomical, it is illegal as well. Before the reform the landlord could evict the tenant; after the reform the peasant association can rescind the farmer's right to use the land, and then the state can punish him or worse.

Clearly, little has changed. Before the reform the farmer had little incentive to increase his yields; he probably has even less since the reform. While 60 percent of Ethiopia is agricultural area, only ten percent of the land, says George Kurian, is actually cultivated. "The low rate of land use," he says, "may well be attributed to lack of motivation to produce anything beyond subsistence levels."(32)

What happened in Ethipia was not an isolated occurrence. Similar land "reforms" with similar results were implemented, for example, Tanzania, Mozambique and Zaire. What needs to be recognized is that this is not reform but only the *illusion* of reform. It should not be surprising, therefore, that such "reform" did not increase agricultural output. Perhaps Warriner's remarks should be amended to read: "Ethiopia is one of those rare countries so richly endowed by nature that the only constraint on agricultural development is the absence of

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free market capitalism."

These six policies are quite common among those 24 African countries suffering food shortages and famine. Taken as a whole they constitute an assault on agriculture. It is hardly surprising that they have resulted in food shortages. Indeed, it would have been surprising if they had not.

Conclusion: Free Enterprise Market Systems, Socialism and Agriculture

History shows two things quite clearly: 1) the application of socialist measures to agriculture results in declining production, food shortages and sometimes even famine; and 2) the application of capitalist measures to agriculture tends to produce agricultural abundance.

For example, recent studies show that agricultural output in China was virtually stagnant during the 25 year reign of Mao Zedong. During just one three year period, the so-called "Three Lean Years" from 1959-62, in excess of *ten million* Chinese died of starvation. By the time of Mao's death in the mid-1970s, the average Chinese was less well fed than he was during the 1920s or even during the Japanese occupation of the 1930s.(33) Beginning in 1977, Mao's successors abandoned his "socialist experiment." As a result, says *The Economist,* "food grain output has increased by 12 percent a year since then, despite bad weather in 1980."(34)

Out of a population of only 8 million, two million Cambodians died of starvation in the late 1970s, after Socialist measures were applied to agriculture by the Khmer Rouge.

And prior to the 1917 Revolution, Russia was a major exporter of food. By 1920, however, the area under cultivation in the Soviet Union had declined by 50 percent and yields per acre fell by 40 to 50 percent. An estimated six million Russians died of starvation. Millions more died in the 1930s as a result of Stalin's collectivization program. Eventually single-acre private plots were grudgingly permitted. Small as they are, these plots are about *40 times* as efficient as the collective farms.(35) There is certainly a degree of irony in the fact that despite its tremendous agricultural potential the Soviet Union is now the single largest purchaser of U.S. grain exports.

India proves a very instructive contrast to the Soviet Union. After its highly interventionist if not socialist policies resulted

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in famine in the early 1970s, India abandoned price controls on agriculture. By 1977 India not only was self-sufficient, it was exporting large quantities of grain. In addition, it had built up a grain reserve of 22 million tons, which enabled it to manage the severe drought of 1979 without the need for food imports.(36)

The famine in Africa is certainly tragic. It is all the more tragic for the peoples of Africa in that it need not have happened. There is no need for it to happen again, and the continuing transfer of wealth from the Western world is not the answer. Wherever farmers have been exposed to market incentives, farm output has increased. This is true not only outside Africa but inside as well, as the five percent *increase* in per capita food production, recorded by both the Ivory Coast and Malawi during the 1970s, clearly shows.

If Africa leaders seriously desire *to end* the recurrent famines, they would do well to take a look at Indian agriculture, abandon their commitment to socialism, and allow the free market to operate within the potentially rich lands that they control.

FOOTNOTES

(1) "We Are the Children," *Newsweek* (June 3, 1985), p. 28.
(2) "Crisis in Africa," *UN Chronicle* (March, 1984), p. ii.
(3) Sources: United Nations, *World Statistics in Brief* (New York: UN, 1981); World Bank, *World Development Report 1983* (New York: Oxford University Press, 1983), Table 6, p. 158.
(4) Barbara Insel, "A World Awash in Grain," *Foreign Affairs* (Spring, 1985), p. 892.
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(6) H.E. Landesberg, "Global Climatic Trends," *The Resourceful Earth*, ed. Julian Simon and Herman Kahn (Oxford, England: Basil Blackwell, 1984), p. 285.
(7) Nick Eberstadt, "Famine, Development and Foreign Aid," *Commentary* (March, 1985), p. 25.
(8) P.T. Bauer, *Equality, the Third World and Economic Delusion* (Cambridge: Harvard University Press, 1981), pp. 164-65.
(9) Ibid., p. 49.
(10) "Roots of Africa's Famine Run Deep," *U.S. News and World Report* (December 3, 1984), p. 32.
(11) Eberstadt, p. 28.
(12) *World Development Report 1983*, p. 18.
(13) World Bank, *World Development Report 1980* (New York: Oxford, 1980), Table 2.8, p. 11.
(14) Thomas Sowell, "Second Thoughts About the Third World," *Harper's* (November, 1983), p. 40.
(15) Melvyn Krauss, *Development Without Aid* (New York: McGraw-Hill, 1983, p. 190.

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(16) Jack Shepherd, *The Politics of Starvation* (New York: Carnegie Endowment for International Peace, 1975), pp. 61-62. Also of value for information regarding the events surrounding the fall of Haile Selassi is Colin Legum, *Ethiopia: The Fall of Haile Selassie's Empire* (New York: Africana Publ. Co., 1975).

(17) Mona Charen, "Quick-Fix Humanitarianism," *National Review* (June 28, 1985)., p. 33.

(18) Anthony Suau, "Region in Rebellion: Eritrea," *National Geographic* (September, 1985), pp. 391 and 400.

(19) Robert D. Kaplan, "Ethiopian Exodus," *The New Republic* (January 21, 1985), p. 20. Also see Suau, especially pp. 380-400. It should be pointed out that the Nimeiry government of Sudan, unable to handle the sudden influx, collapsed. Thus American "aid" not only has helped to stabilize our chief adversary in the areas, the Ethiopian government, but has led to the fall of our staunchest ally in the region, Sudan's President Nimeiry.

(20) *World Development Report* 1983, Box 8.1, p. 77; J.G. Donders, "Food Aid to Africa: Putting the Famine in Context," *Commonweal* (November 30, 1984), p. 658; D. Gale Johnson, "World Food and Agriculture," *The Resourceful Earth,* eds. Julian Simon and Herman Kahn (Oxford, England, Basil Blackwell, 1984, p. 99.

(21) *World Development Report 1983*, Box 8.1, p. 77.

(22) Donders, p. 658.

(23) *World Development Report 1983*, p. 58.

(24) Sara Berry, "Economic Change in Contemporary Africa," *Africa*, eds. Phyllis Martin and Patrick O'Meara (Bloomington: Indiana University Press, 1977), p. 271.

(25) Stephen Mosher, *The Broken Earth* (New York: Free Press, 1983), p. 41.

(26) Allan Hoben, "The Origins of Famine," *The New Republic* (January 21, 1985), pp. 18-19.

(27) "In Praise of Peasants," *The Economist* (February 2, 1985), p. 87.

(28) Thomas Johnson, "Poor Administration is Snarling Huge Ethiopian Land Reform," *The New York Times* (April 3, 1975), p. 6.

(29) George Kurian, *Encyclopedia of the Third World* (New York: Facts on File, 1982), p. 599.

(30) What is limiting development? According to Doreen Warriner it was Feudalism. "Ethiopia is one of those rare countries so richly endowed by nature," she wrote in 1973, "that the agrarian structure, feudal in every sense of the term, does appear to be the only contraint on development." See: Gene Ellis, "Land Tenancy Reform in Ethiopia: A Retrospective Analysis," *Economic Development and Cultural Change* (April, 1980), p. 526.

(31) Food and Agriculture Organization, *Advisor in Land Reform, Administration and Settlement, Ethiopia, Project Findings and Recommendations* (Rome: UN, 1980), pp. 20-21. The FAO doesn't deny that "commercial agriculture" is far more productive than subsistence farming. Rather, it states that the belief that any suggestion that "the increased quantitites of agricultural production" brought about by "commercial agriculture" is "an indication of 'development'" is a "a misconceived notion"! Although it is not specifically stated, the correct notion of development, it seems, is equality, regardless of its effect on productivity and the prosperity of the people.

(32) Kurian, p. 600.

(33) Mosher, pp. 299-307. And Nick Eberstadt, "What We Now Know About China," *Commentary* (March, 1984), pp. 43-48.

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(35) Hedrick Smith, *The Russians* (New York: Ballantine, 1976), p. 266.

(36) World Bank, *World Development Report 1981* (New York: Oxford University Press, 1981), p. 80. Julian Simon, *The Ultimate Resource* (Princeton: Princeton University Press, 1981), pp. 64-65.

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ADAM SMITH VERSUS KARL MARX IN CHINA

By Donald J. Senese

The People's Republic of China under the leadership of Deng Xiaoping is undergoing a significant economic change. This change represents a moving away from the Soviet-type centrally planned economy under Mao Zedong toward a reliance on market forces but without any definite or significant change in the political realm. If the current debate in China on economic policy could be abstracted and viewed strictly on an intellectual plane as a debate among economists, it would pit the ideas of two Western writers, born almost a century apart, at opposite polar ends — Adam Smith (1723-1790) and Karl Marx (1818-1883).

A Contest of Ideas

A versatile Scotsman, a prolific writer, and an engaging teacher, Adam Smith crystalized a philosophy of freedom in the economic sphere into a doctrine which would have worldwide influence following the advent of the Industrial Revolution. He enunciated a theory which had important consequences for both economic and political freedom — the theory that a market economy, left to itself where the forces of supply and demand operated, provided the greatest advantage to all the members of a society. Such an economic doctrine also required a government which did not enforce fiats and thus was not all-powerful. Recognizing that imbalances and defects did arise in a society that operated on the basis of a market system, he nevertheless stressed that a market economy, left to itself, had a natural tendency to return to equilibrium possessed by no other rival system. (1)

Smith viewed the individual, not government, as the key factor in the economy, since every individual is theoretically constantly exerting himself to discover the best way he can use the resources to which he has access. Even while intending to promote his own welfare, the individual in Smith's market economy is in actuality contributing to the general welfare of all, led by an "invisible hand" toward an objective which was completely aside from his own intention. Unlike Marx, who

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advanced the "labor theory" of value, Smith rejected the concept, stressing that it was supply and demand which determined price, not the amount of labor that went into the production of an item. He emphasized the advantage of free trade and the free exchange of goods and praised competition. This canny political economist from Scotland observed that in his country a change had occurred in the world's economic system, whereby prosperity now depended on manufacturing (as a result of the Industrial Revolution) rather than by agriculture and by the accumulation of value in the form of precious metals (as promoted by adherents of mercantilism). Productivity depended on the skills of the labor force – a productivity enhanced by a division of labor among the work force, and on the proportion of productive versus unproductive labor.(2)

For men to benefit from the market economy of competition, a free exchange of goods and services had to be permitted by governments, with prices determined by supply and demand only – not by government fiat – and thus the central government needed to exercise only a minimal role in the control of the economy. A strong central government, ignoring economic laws and placing unnecessary restrictions on the economy and on individuals, hampered the operation of the market – the movement of the "invisible hand."

Karl Marx, a German-born writer who spent most of his adult life writing about, but not accumulating 'capital,' authored (with his colleague, the well-to-do factory owner, Friedrich Engels, 1820-1895), the *Communist Manifesto*, and presented "scientific socialism" to the world. Marx reacted against the ideal of the free market and the capitalist entrepreneur by stressing that this system, promoted by Adam Smith and others, exploited the working individual, as a handful of powerful and wealthy individuals accumulated profits based on the exploitation of the workers and using the benefits of their labor for their own greed (a correlation of the Marxist "labor theory of value"). Marx saw man as the prime mover in history, who through labor, remakes the world, and argued that the very nature of man depended on the conditions in which he labored. While Smith viewed private property as as incentive, which benefited society, and which was essential to the spirit of entrepreneurship on which capitalism survived, Marx saw

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private property as creating a division between classes and as responsible for a class struggle between those who possessed "capital" and those who did not. According to Marx, man only obtained dignity and freedom by overthrowing all systems which upheld the right to private property.(3)

Smith's economic theory triumphed, as feudalism and the mercantalist philosophy of natural self-sufficiency supported by strong controls over the economy waned. Marx's theory could only triumph if a strong central government guided historic and economic forces, and thus V.I. Ulyanov Lenin (1870-1924), a Russian revolutionary, contributed an important concept to the philosophy of Marx: a doctrine of revolutionary action focusing on the role of an organizational unit – the Communist Party – as the vanguard of the revolution. Lenin viewed the Communist revolution as part of a worldwide struggle against capitalist imperialism. He saw the Communist Party as an instrument incorporating all the functions of the state while systematically eliminating any and all opposition, and he advanced the concept of "democratic centralism," promoting an all powerful central party organization operating "democratically" because it represented the interests of the people.(4) Lenin not only contributed the concept of the revolutionary party to Marxism but also a theory of revolutionary struggle by way of wars of national liberation, which applied to nations like China, in which the capitalist imperialist powers assumed the role of the capitalists within a nation in their "exploitation" of people of the underdeveloped nations. The Communist Party Mao Zedong joined in China in the 1920s, and later headed, was based on these Marxist-Leninist doctrines.

China's Contribution to Marxism

While Marx believed that revolution would be initiated spontaneously by the urban workers (the proletariat) produced by the capitalist system, Mao Zedong adjusted this doctrine to the conditions of China, which had not undergone an industrial revolution and did not possess a developed system of capitalism. China was comprised of a rural and agrarian society, and Mao built his revolution on the peasantry. Marx never examined the case of such countries as China, since he focused on Western societies. He did refer to the "peculiarities of Oriental society" referring to countries such as China and India which possessed

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an "Asiatic mode of production" different from that in the West, but for Marx these Asian societies had to find their own way to Communist revolution.(5) Mao similarly recognized that China had to find its own way to Communist revolution, a line also enunciated by Deng Xiaoping in his proposals for "socialism with Chinese characteristics."

If Mao were to successfully reshape the China he took over in 1949 into the Soviet mold, he had to completely reorganize Chinese society and destroy traditional Chinese culture based on the views represented by the venrerable Great Teacher of China, Confucius. Mao utilized the "cult of personality" to obtain the objective of complete party control, state-wide conformity to Communist orthodoxy (as interpretated by Mao) and the elimination of "undesirable elements" and "undesirable" influences (e.g., traditional art, religion, music or literature which now had to be remolded to serve the interest of the Communist state). Such traditional components of the Chinese culture, which did not serve the Communist revolution, had to be eliminated.

Confucianism underwent various periods of denunciation (during the early years of the Maoist regime and again during the Cultural Revolution), but also of restoration (as when Confucian teachings were used in an attempt to support the creation of an obedient Communist cadre in the post-Cultural Revolution period). Mao aimed to remold Chinese culture and reshape the Chinese people away from the teachings of Confucius who had stressed filial piety, ancestor worship, the cultivation of the mind, and the maintenance of government for the happiness and enlightenment of the people. The attempt of Mao and his successors to eliminate Confucianism appear to have been only moderately successful, but totalitarian control in over forty years has been able to greatly influence a new generation of Chinese who know little else than what the Maoist government taught and permitted to be taught. Ironically, the most economically successful nations of Asia (e.g., the so-called "four dragons" of Japan, Republic of Korea, Republic of China on Taiwan and Singapore) all preserve Confucian-style philosophies and it may be argued that it is the Confucian ethic — stressing hard work, loyalty to family, and a view of government as promoting the happiness of the people — that laid the basis for Asian economic success just as the Protestant ethic —

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stressing hard work, resourcefulness and moral integrity – contributed to the economic success of the West. Deng Xiaoping's "Four Modernizations" may need to reach back and revalidate selected elements of the Confucian ethical system, as he seeks to have China imitate the economic successes of neighbors who operate on a Confucian philosophical base.

The Visions of Mao and Deng

Both Mao Zedong and Deng Xiaoping worked their way up through the hierarchy of the Chinese Communist Party, and have remained firm Marxists, although differing in their tactics. Interestingly enough, such differences as observers can perceive relate to: 1) the failure of Mao's economic program, and 2) a differing vision of China's role in the world. Mao worked to consolidate his power, following his victory in 1949, attempting to build a strong and powerful China based on the Soviet model. Following the "Democratic Wall" experiment, Deng also moved promptly to consolidate his power, while launching his own campaign to build a strong and powerful China.

Mao's experience was not without frustrations and setbacks since he faced a variety of problems, ranging from his desire to be recognized as the senior Communist spokesman following the death of Stalin in Russia, to rising resentment from amongst Chinese nationalists because of an excessive reliance on Russian aid and assistance. Finally, conflicts over how to deal with the "capitalist imperialist" powers (e.g., the United States) in the nuclear age, brought Maoist China and Soviet Russia to a parting of the ways with the Sino-Soviet split in the 1960s. China lost access to Soviet Russian aid and expertise, and Mao determined to build a China which could stand alone. Much of China's industrial equipment still dates from the 1950s and 1960s, and is in desperate need of repair, replacement and modernization.

Mao viewed China as a society of peasants and soldiers, in which politics dominated over economics and China could achieve anything by a mobilization of the masses – even to foreign policy victories through the People's Liberation Army. He wanted to ensure that China would not go the way of Soviet Russia, with its move toward "revisionism" and its concessions to please the masses (as consumers) by partial adoption of capitalist practices. Mao pushed the concept of the "perpetual

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revolution," by which each generation would undergo the revolutionary experience and thus be protected from the tendency to "go soft," but his two major efforts – the Great Leap Forward and the Proletarian Cultural Revolution – brought social and economic disaster to China. The "Gang of Four," led by Mao's widow Jiang Jing, sought continuation of Mao's teachings regarding the politics over the priority of economics, perpetual revolution, and a centralized economy, despite the "opening to the West" which took place in the waning days of Mao's regime. Deng, like Mao, also believes that China should follow a distinctive "socialism with Chinese characteristics." Both Mao and Deng hold to the view of China as a Marxist state fully controlled by the Chinese Communist Party.

However, Deng had witnessed the failures of the Maoist policies in the economic sphere, and he recognized the need for China to modernize if it is to take a place among the world's most powerful nations. Deng's "Four Modernizations," are designed to convert China into a leading industrial and military power by the year 2000, enabling it to play a significant role in world politics. Deng appears to have moved the time of accomplishment beyond the year 2000 because of problems, to about the mid-twenty-first century for China to become a leading industrial power. Faced with China's backwardness and internal conflicts resulting from the disruptive Cultural Revolution, Deng is urgently endeavoring to advance China as a modern Communist superstate, making it the colossus of Asia and the Pacific.(7) The accomplishment of rapid modernization on this scale requires an intellectually superior personnel well trained to undertake this task, and also a type and level of technology (and foreign exchange) which only the Western nations and Japan can supply.

Despite the freeing up of certain parts of the Chinese economy, by allowing market forces to operate outside the central plan of the state economy, Deng has not turned and is not in the process of turning China into a capitalist society. He has allowed the market system to function within the broader designs of the centrally planned economy, carving out a segment which will permit a degree of individual enterprise and profit orientation, a concession that other Communist regimes have recognized as necessary to get their stagnant economies moving and to provide the individual incentives needed for their

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people to increase productivity. Mao worked to build a strong China in which emphasis was placed on politics. Deng seeks to build a strong China in which emphasis is placed on economic, industrial and military improvement. But, like Mao, Deng believes that China must have a firm anchor in Marxism. Deng's "open door" to the West is a necessary concession to reality made for the purpose of obtaining the technology and foreign exchange China needs to develop and compete in a rapidly changing world.

The marked improvement in the economic quality of the lives of the Chinese people under Deng aids Deng in exploiting the patriotism of the Chinese so that they will take pride in building a strong Chinese nation-state under the leadership of the Chinese Communist Party. However, if Deng's vision is to succeed, it also will result in the creation of a China of such strength, economically and militarily, that it will be able to dictate its terms to the rest of the world, particularly its Asian neighbors.

Legacy of the "Four Modernizations"

Deng's policies represents a major break in policy from the Maoist days, by allowing market forces some influence in the Chinese economy. Despite this, serious problems still remain in the present Chinese economy: the overconcentration of power; the absence of a strict accountability system of decision-making; a vague system of law (especially for dealing with commercial ventures), lack of a clear strategy on how to reach certain goals of economic reform, and the overall uncertainty of how long these economic reforms and market inventives will last. These "Four Modernizations" may not survive the passing of Deng Xiaoping, who is over eighty years old (born in 1904), and possibly could even be reversed at any time by Deng himself.

China is producing a new breed of capitalist under the economic reform program, and soon this group may feel comfortable with a system which allows freedom to engage in business and enterprise. There are problems for this new breed of capitalist, as they run into bureaucratic delays, and are treated with distaste by the more orthodox, Maoist-oriented Communists who resent Western and capitalist influences. In fact, this latter group, which still holds considerable power in many

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areas of the government throughout the country, may be working to sabotage the new system in hopes of returning a truly Maoist centrally planned economy. Some Communists also fear that the growth of the private sector will embarrass the predominantly Communist components of Chinese society, committed to collective ownership, and they also resent the fact that even this functioning may be perceived by the outside world as an abandonment of orthodox Marxism, or at least a recognition that Marxism cannot supply the answers for an economy which wants to grow and a nation which needs to modernize.(8)

The Chinese system has been compared to experiments with certain features of the market economy which have occurred in Hungary and Yugoslavia. The experiences of both countries may provide useful lessons for China. Hungary, for example, freed-up transactions at an early date, allowing market forces to determine certain activities in an attempt to get a stagnant economy moving, and there has been a recognition of the desirability of encouraging by incentives productive people to earn more than nonproductive or less productive people. Hungarian officials have had to monitor a system which for decades was dedicated to the ideal of economic equality, but which now recognizes wider income differentials as a result of its new system of incentives and a market mechanism. The Hungarian Communist Party has in effect determined that it is permissable for people to acquire riches as a reward of hard work.(9) Hungary, which since 1968 served as the center for economic innovation in the Communist world, has found that "goulash Communism" works. Despite this economic boom, where five million other Eastern Europeans come to Hungary annually for the shopping, Hungary is still firmly under Soviet control, with the Communist government controlling all aspects of political life. Yugoslavia, which for almost forty years experimented with the state control of the economy, but with decentralized decision-making has experienced good economic growth for almost three decades, but problems developed in the 1970s (notably after the death of its long-time ruler Josip Tito). However, Yugoslavia seems willing to introduce more capitalist incentives (e.g., lifting of price controls on goods, allowing unproductive businesses to fail, encouraging private business to expand) in order to encourage further growth in the eco-

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nomy.(10) Although conditions may differ in Hungary and Yugoslavia, they do provide a lesson for China that capitalist innovations in an economy can have certain short-term benefits but the issue of how much government control should be exercised must be faced sooner or later.

One report has estimated that China may have as many as 9.3 million private businesses, compared to virtually none at the time of the Cultural Revolution. Retail sales may have represented about $10 billion in 1984, or an estimated 9 per cent of the national total. It appears that private businesses grew slowly until 1984, with real doubt as to how long the policy would last. These businesses include clothing factories, hauling companies, coal mines, and private taxis.(11)

Overall, it appears that Deng's economic reforms have primarily involved experimentation rather than a complete and detailed plan for economic reform. This experimentation has been emphasized above the role of central planning. Yet, one can detect an attempt to eliminate the deadening influence of Mao on the economy – which had focused on central planning and politics over economic considerations – and a desire to significantly modify the political and economic system which China imported from the Soviet Union in the 1950s. It is this conviction which appears to bind the Four Modernizations movement together, rather than any desire to convert China into a capitalist country.(12)

A Chinese Excess Story

Deng Xiaoping has found that freeing a Communist economy is more difficult in practice than in Communist Party speeches.

The final blessing for economic reform came in the October 20 document entitled "A Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure," adopted unanimously by the 12th Central Committee (see Appendix). Measures which upheld ownership of the means of production but allowed local enterprises to be responsible for their own profits and losses reduced mandatory planning in a still planned economy and opened China to foreign technology and capital, provided the basis of "socialism with Chinese characteristics." However, the development of an efficient national economic system cannot be brought about by fiat.

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The task Deng Xiaoping and his followers are undertaking is a massive one — the liberalization of the economy in a massive and highly totalitarian society. These policies have placed strains on state organs as they adjust to a new and somewhat restricted role in the economy. In essence, it requires a reduction in power of those in the central planning economic ministries, a formidable task in any bureaucracy but especially so in a centrally controlled society. At the same time the shift in economic decision-making from the central government to provincial and local bureaucrats will create new centers of bureaucratic power and powerful new figures in the Communist hierarchy on the provincial and local levels. Despite the shift of some of the economic planning functions to decentralized units (at times an attempt to have the economy just grow out of the plan), the Communist Party hierarchy and the central government still exercises significant authority. In the special economic zones. Beijing still makes the rules and determines how they will operate. Even under the guidance plans, the provincial and local party leadership exercises significant control over enterprises by controlling such vital resources as energy and transportation. Furthermore, the central government can at any time put the breaks on the economy, as the announced slowdown in growth for 1985 confirms, and this same central government can exercise what may appear to be uneconomic and arbitrary decision-making powers, such as the announced tax increases on foreign investors retroactive to the beginning of 1985.

The extension of economic reform to encompass the price system illustrates one outstanding problem. Official Chinese Communist Party documents emphasize the irrational nature of the pricing system, with prices set by government fiat rather than supply and demand. The attempt to introduce market incentives and free the price system from controls has brought increases in prices. This change will be especially difficult for urban residents who were protected for so long by state subsidies and nearly rock-stable controlled prices; they will start paying something close to the real value of food and housing, and, even with significant wage increases, will experience sudden and stressful change. This problem is likely to grow as the state reduces the number of products for which it sets prices and expands the number of products to be sold at float-

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ing (flexible or market) prices. The change will bring difficulties even though prices increases determined by the enterprises must not exceed the limits set by the state.(13)

Deng Xiaoping also faces the enormous challenge of training and producing the managerial talent necessary to carry out such an extensive economic reform program, a task which cannot be accomplished overnight. Support for these reforms plus substantial increases in productivity appear to hinge on a bonus pay system for government workers.(14)

China will also need to involve intellectuals and other educated individuals in the reform process, but the intellectuals in China do not have short memories and well remember what happened to them during the "Hundred Flowers" campaign and the more recent Proletarian Cultural Revolution. Even remembering the experience of "Democracy Wall," they may hesitate to become too deeply involved in a major reform and modernization effort which might end quickly after Deng leaves power. Although there has been some liberalization in the academic and cultural spheres (e.g., the revival of classical Chinese opera, the introduction of foreign plays, and the publication of scholarly journals), this freedom for intellectuals remains within strict limits. Following the outbreak of political dissent at the end of the 1970s, a policy on dissent was enunciated which would permit dissent only if it did not run counter to the prevailing official notions of the Communist Party leadership, the people's democratic dictatorship, Marxism-Leninism-Maoist Thought, and the socialist road. The campaign against "spiritual" or "cultural pollution" between 1980-1983 and the more recent criticism of "unhealthy tendencies," allegedly resulting from the influence of capitalism, gives further evidence of the very strict control of intellectuals and the limited range of debate allowed in China. The more recent soft-peddling of the campaign on "cultural pollution" may have only occurred because of apprehension that the confidence of foreign investors in China's stability might be shaken, with the various Communist Party organs issuing conflicting signals urging debate and discussion and yet urging limits within which that debate must occur.(15)

The real problem in China is a problem which has already faced the other socialist economies seeking to introduce restricted capitalist features: the rulers of the People's Republic

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of China, like their socialist comrades, want everything – the desire for both the economic growth which comes from market incentives while still unrestricted authority which can only come from government control. They seek a difficult, almost impossible, situation in a real world: full political control over an economy that would be half-free.

Like the Soviet Union and other Eastern European states, China has proceeded to introduce market incentives, differing somewhat in form and substance from these other countries. China in a short period of time has implemented many changes in its economy. A command economy like China can introduce certain market incentives and will achieve some benefits but these gains are usually exhausted quickly unless the reforms continue to progress until the economy is predominantly free. If this does not occur, the reforms become bogged down in the same old bureaucracy and command structure which was responsible for retarding the economy in the first place. Although China has traveled a significant distance in the introduction of market reforms in segments of its economy, the difficulties admitted by Beijing and denounced as "unhealthy tendencies" arising from capitalism have already led to a degree of reaction and new restrictions.(16)

Some evidence is already available that China may be pulling back to a safer haven in its economic reform efforts. China observers note that support may be building for economic controls as China's industrial growth outstrips the available energy and transport resources.(17) Premier Zhao Ziyang told a foreign delegation early in 1985 that Chinese officials were concerned that China's economy developed at excessive speed in the fourth quarter of 1984 and that the government was taking steps to set the growth rate at 7 per cent for 1985, about half the 1984 pace. Zhao also cited excessive increases in wages, prices and bank credits which must be dealt with, noting that severe punishments would be imposed on those who artificially raised prices, and engaged in profiteering (by issuing excessive bonuses, giving lavish dinner parties, etc.). Even Deng Xiaoping sounded a cautious note in July 1985, when he told a visiting foreign delegation that China was weighing the progress of its reform program and, that while they hoped it would succeed, if it failed China could draw experience from it.(18) In offering an assessment of the Beijing economic

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reforms, Brookings Institution Senior Fellow Harry Harding puts in perspective the challenge facing the present leadership of Communist China:

> Through the rest of the century, then, the odds are somewhat better than even that the reformers will succeed where Mao failed: to present an attractive alternative to a Soviet-style economy, and to see it successfully implemented. It remains to be seen, however, whether Deng and his successors will be able to make comparable changes in the Leninist political system that was imported from Moscow along with the Stalinist economic model. Economic liberalization will certainly produce pressures for a further relaxation of political and intellectual life. But the experience of the Soviet Union and Eastern Europe shows that these pressures can be successfully resisted. One of the most fascinating and important questions about the current Chinese reforms is whether China will prove to be an exception.(19)

China is entering a crucial period during the second half of the 1980s in the next step of its economic development. As with any economy undergoing change, China will experience cycles, some favorable and some unfavorable, which will involve some unemployment, a further rise in prices, a growing gap between the more industrious (who will become richer) and the poor (who will remain poor and will note the widening gap). There will be conflicts between geographical regions and between the urban and the rural areas in economic development – all things which are supposed to happen in a capitalist but not a socialist economy. When down cycles occur, either through the operation of the market economy or through sabotage from within the system, the opportunity will be provided for the opponents of Deng – a version of the leftists supportive of the Maoist ideology – to attempt a comeback to power in order to reverse China's road to economic reform by way of market incentives.

Another factor in the reform effort involves the perception of the world by the People's Republic of China. Mao did much to paint his allies as all good and his enemies as the personification of evil. During the early days of the PRC, when Russian aid and assistance dominated all other outside support, the Russians were portrayed as heroes and the Western nations

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(particularly the United States) were painted as the prime threat to the Chinese people. The Russians fell into official disfavor in the Chinese Communist press following the Sino-Soviet split. Presently, with the need to acquire Western technology, the perception of Americans and Western nations has undergone a change as Americans become "heroes" whose success the Chinese aim to match. However, if the economic reforms fail, and an anti-Deng, pro-leftist (Maoist) faction takes power again in China, the new leadership would seek to justify the purge of its enemies by playing upon Chinese latent anti-foreignism to make the Western nations the scapegoat of China's failure. The cycle would be complete, with Deng and his colleagues being chastised for taking the "capitalist" road. Such a reversal could lead to a more militant Chinese foreign policy posture, pushing strongly to activate revolutionary movements around the world and domestically. It would involve an inward turn, and a rejection of long-term economic collaboration with the West. Yet, even this new leadership is likely to keep the "open door" to the West open long enough to build up China's industrial and military might.

The Negatives of Success

Early in his regime, Mao Zedong proclaimed the "East Wind is Red", signalling a great push by China to help the underdeveloped or Third World nations reject their "colonial oppressors" (e.g., the Western nations) and follow the PRC's model for economic development. The model included a one-party dictatorship with a centrally planned and controlled economy, and joint participation with China to promote revolutionary activity. However, the wind has not blown "red" in Asia, and the most prosperous of the Asian nations have been those which have followed the capitalist path rooted in the ideas of Adam Smith and the experience of the Western nations (e.g., private property, market incentives, expansion of trade, and industrialization), rather than the Chinese Communist model. Since Mao's proclamation, the Marxist states in Asia have experienced economic stagnation and difficulty (notably the PRC, and the Democratic People's Republic of Korea or North Korea), being significantly outperformed by the non-Communist Asian nations with free economies. By contrast, the PRC's chief rival, the Republic of China on Taiwan, has demonstrated that with a

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free economy and extensively free political institutions, it has been able to bring about land reform, significant increases in agricultural production, a high degree of industrialization, and a significant increase in the standard of living of its people.(21)

A hard-working population is, of course, a valuable resource for any nation, but means must be found to provide an incentive for the people of a nation to work. The great boom in the development of the East Asian countries since the Second World War has not come from an abundance of natural resources (since some have precious few) but rather through a policy providing for low taxes and free enterprise economics, which has stimulated private savings and personal initiative.(22)

If one compiles a list of the free market nations of East Asia —including Japan, South Korea, the Republic of China on Taiwan, and Hong Kong along with the members of the Association of Southeast Asian Nations (ASEAN), Indonesia, Malaysia, Thailand, Singapore, the Philippines, and Brunei — one can readily perceive that this group represents one of the world's most vibrant economic regions which has been responsible for a significant development with worldwide consequences. The center of gravity for world trade has shifted from the Atlantic to the Pacific. By 1980 East Asia had replaced Western Europe as the biggest trading region for the United States, with the transpacific trade overtaking the transatlantic trade by $30 billion in 1983. The six ASEAN nations, containing a combined population of 287 million people and gross national products of more than $200 billion, became the fifth largest trading partner of the United States, registering one of the highest rates of growth of any trading relationship in the world (e.g., the 1984 two-way trade totaled $25.6 billion).(23) A meeting in Jakarta, Indonesia in July of 1984 witnessed a loose federation of Pan-Pacific nations, including the ASEAN nations, the United States, Japan, Canada, Australia and New Zealand, agreeing to cooperate in the development of human resources in the Pacific area through training and cultural exchanges.(24) This first grouping, though without any formal structure, is an important development, nevertheless, in highlighting common interests of the participating nations who represent some of the fastest growing nations in the world. While the Gross National Products of the USA and Japan together account for about 75 per cent of the region's total,(25) the rapid economic expansion

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of the entire area has created such interest that the leaders of the region talk hopefully of a "Pacific century" or an "Asian century.".(26)

Economic experts recognize that the nations of the world are at a crossroads, a development highlighted by a special World Development Report issued by the World Bank in July of 1985. This document reported that the industrial countries and the developing countries face a clear choice on whether they should push for renewed growth and development or accept relative stagnation and continuing debt problems. While countries like the People's Republic of China have done better than average compared to other nations, the report emphasized that during the previous five years, growth in the developing world had averaged only half of what it was between 1960-1973 and that some nations (particularly those in Africa and Latin America) had actually lost a decade or more of development. In a message of special concern to China and East Asia, the World Bank urged developing countries to allow domestic prices to reflect market prices (e.g., it urged an abandonment of policies keeping food prices so low for urban consumers that there was little incentive for farmers to grow food crops), to maintain exchange rates that do not hinder trade, to lower trade barriers, and to raise domestic savings.(27)

The leadership of the People's Republic of China hope that with the modernization of its industrial base, an improvement of technology, increases in trade, more foreign exchange, and a more active participation in economic policies of the region, China can match the growing prosperity of the developing nations of East Asia as well as world economic affairs. Continued restrictions on economic activities in the PRC, a lack of adequate transportation and energy resources to match its industrial growth, and uncertainty regarding the continuation of economic reforms being conducted by the aged leaders, could limit the benefits China may gain from this regional boom. One other factor related to ideology raises concern amongst those Asian nations which hope that continued trade and prosperity will bring peace and stability to the region — Beijing's use of international trade for political purposes unrelated to economic benefits for either or both parties.

Unfortunately, the Chinese Communist leadership view trade not only as a means to build up China's economy but as a

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device to gain certain political objectives (e.g., tighter control of Hong Kong before the 1997 agreement expires, the unification of Taiwan with the mainland through economic leverage). The establishment of the special economic zone in Shenzhen near Hong Kong serves to make Hong Kong merchants susceptible to the argument that they should place a greater reliance on the China market than on their traditional Western markets. This economic leverage could nullify any benefits from the political settlement before 1997 by giving the PRC a dominant role in Hong Kong's economy and shutting out any outside influences. In the short time since the agreement between the PRC and Britain, it become been clear that the citizens of Hong Kong will not gain any political rights and that the Chinese government in Beijing may be stepping up surveillance activity in Hong Kong.(28)

The "trade for political purposes" surfaced in the recently highlighted so-called illegal trade with Taiwan, most of which is channeled through Hong Kong. In order to encourage trade between the PRC and Taiwan merchants, the PRC has established the Taiwan Commercial Corporation to market Taiwanese goods and to signal a relaxed atmosphere toward trade with Taiwan, to which the PRC gives special recognition as a breakaway province of China.(29) During a three year period this trade has grown to about $560 million and may now be as high as $600-$700 million. During the first four months of 1985, this trade registered a 46 per cent increase over a comparable period in 1984, and if continued at the new high could total $1 billion by the end of 1985.(30)

This illegal trade with Taiwan, encouraged by the PRC, represents a problem for the ROC on Taiwan in regard to its future economic and political stability. While trade formerly consisted mostly of casual exchanges of fish, traditional Chinese herbs, and Chinese liquors between fishermen from the PRC and the ROC fishing in the Taiwan Straits, it presently includes raw materials from the PRC and consumer goods from Taiwan. Reliable reports indicate that nine ports in the province of Fujian, the province of the PRC closest to Taiwan, have been designated to receive Taiwan goods and that trading offices of the PRC have received orders from Beijing to increase trade with Taiwan whenever possible. Realizing the huge market the PRC represents, and the tremendous potential for the PRC

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in obtaining economic leverage over Taiwan's economy, officials in Taiwan view the continued expansion of this trade not as a means to improve relations between the two nations but as a means for the PRC to make Taiwan's businessmen overly dependent on orders from the PRC, and thus increase the vulnerability of Taiwan's economy to pressures from the Chinese mainland.(31) The government of the Republic of China on Taiwan maintains a policy of no trade with the PRC, but a distinction between "direct" and "indirect" trade is sometimes difficult to make, especially when trade items are shipped through Hong Kong with the intended or possibly unintended destination being the PRC. During mid-1985 three exporters were detained by security officials in the ROC for selling goods directly to the mainland. The ROC recognizes that the center of its battle for survival against the claims of the PRC has moved from ideology and politics to trade, as two Chinas fight for world markets. Besides the security issue and fierce competition, the government of Taiwan reports a growing concern over PRC counterfeiting ROC electronic products, computer software, and utilizing its labor-intensive, low-cost manufacturing potential to undersell the ROC in world markets.(32)

Further apprehension over the trade issue came with the signing in 1985 of a trade agreement to boost bilateral trade between China and the Soviet Union, representing about $14 billion over a five year period. Current trade between the two Communist giants has been estimated to reach $1.8 billion by the end of 1985 (up from $800 million in 1983 and $1.2 billion in 1984) and may reach as high as $3.5 billion by 1990 under this new agreement. An additional aspect of this trade pact is a cooperative agreement by which the Soviets agree to participate in aiding the "Four Modernizations" and to help modernize seventeen industrial installations in the areas of power generation, machine building, metal processing, coal, chemicals, and transport). While the Chinese have discussed obstacles to improved PRC-Soviet relations (e.g., the occupation of Cambodia by Soviet-allied Vietnam and Soviet occupation of Afghanistan and Soviet troops on the Sino-Soviet border), the Chinese leadership under Deng has continued to move closer toward the Soviets on mutual issues and displayed a willingness to overlook the mentioned obstacles in favor of strengthened scientific, economic and other links to the Soviets.(33) This

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closer link between the PRC and the Soviets definitely undermines the line of arguments that the U.S. needs to play a "China card," especially as to military aid in the hope of a military alliance with the PRC to resist Soviet expansionism.

A continuing problem in the trade arena is the major push by China to acquire a vast array of technology from the United States, including nuclear energy, telecommunications, computers, software, and oil exploration equipment. As trade between the United States and China increases, the possibility of new markets for this technology to China could be used to build a strong Chinese industrial base for a vast military potential that could be hostile to the interests of the U.S. and its allies, particularly in Asia. A sensitive area is the so-called "dual use" technology which requires a very careful distinction between what is primarily of use in the civilian sector (e.g., power supplies, transport) and what has specific militarily-related uses (e.g., intelligence gathering equipment, technologies which contribute to developing nuclear weapons, and delivery systems for nuclear weapons). In a country like the United States, where a substantial private sector is interested in selling these technologies to China, it is difficult to focus and enforce policies which make such distinction. Efforts to expedite decisions through the government bureaucracy, in order to aid American business, tend to reduce the time and thought necessary for a proper evaluation of all the potential uses for requested technology. Aside from the monetary benefits for American businessmen, the U.S. government needs to consider evaluating the type of technology exported so that the United States lead in the development and application of critical military technology be protected. The U.S. needs to take a broad view of the future policies of the PRC and to cooperate with its Western allies to identify, monitor and facilitate the transfer of technology which China requests, while putting the security needs of the Free World foremost at all times.(34)

Despite great hopes by optimistic observers that China's "Four Modernizations" can modify Marxist objectives and bring a better life for its citizens, critical problems cannot be ignored as China develops a "sweet and sour" capitalism, of Taiwan with the mainland (and its use of trade to undercut Taiwan's economy, not to mention its recent threat of the use of military force), its renewed and friendly relations with the Soviet Union

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(including increased cultural contacts and a cooperative agreement to assist with the "Four Modernizations"), and its refusal to allow a liberalization of its political system to accompany the modernization of military forces, including acquisition of military technology which can be used for both defensive and offensive purposes. All this raises serious questions over the extent to which China's basic policies have changed and should alert Western nations, especially the United States, to possible dangers as they enthusiastically embrace the "New China" of Deng Xiaoping. Even if one expects the best from the economic reforms, Deng's advanced years and the latent opposition from the left in the Chinese Communist Party could lead to a sudden reversal, leaving the Western nations holding many unpaid bills for their generosity toward China.

While Chinese nationalism operates as a factor in pushing for a China which can prosper and take a place among the world's most powerful nations by the year 2000, this Chinese pride must be balanced by the Communist Party's determination to retain power. This necessitates a centralized organization which uses the government (and people) of China to carry out the policies of the Chinese Communist Party determined by a handful of unelected leaders.

On one level we view the current debate in China as a contest between the free market ideas prevalent in Western Europe and the United States during the past two centuries (and parts of East Asia since the end of the Second World War), and Mao Zedong's policy of centralized planning. However, the overall framework for China's economic policies remains Marxist, and the leadership, whether Maoist or Dengist, dress their policies in a Marxist garb and explain all apparent deviations as merely steps towards the Marxist goal. Whether there is any sincere debate within the Marxist family of political philosophies, or a subtle abandonment of Marxism for more pragmatic reasons, the Chinese nation state is still in the grips of a powerful political apparatus which rules in a fully totalitarian fashion and allows little political dissent while enforcing an official orthodoxy. The experience in China over almost four decades – ranging from the " Hundred Flowers" movement to the "Great Leap Forward" to the "Proletarian Cultural Revolution" to "Democracy Wall" to the "Cultural Pollution" campaign – reinforces the views of skeptics that the range of

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debate for alternative policies in China is extremely limited and the final word for orthodoxy on policies in China is the Chinese Communist Party.

Thus, Marxist Thought (or Marxist-Leninist-Maoist-Dengist Thought) is pliable enough to use the ideas of Adam Smith and even Confucius. Just as Mao Zedong could adopt the "New Democracy" – and Lenin the "New Economic Policy" (NEP) – for strategic reasons, despite apparent deviations from orthodox Marxism, Deng could repudiate his "Four Modernizations" just as easily as he initiated them within the Marxist framework, especially if such a change were necessary for the preservation of his political power or for the defeat of a rival faction. The continuing failure over the past half century of the Western world to deal effectively with the nations of the Communist world has been due to its inability to recognize the distinction between a change in tactics and a change in substance in Communist policies. China's present tactics and strategy falls into this pattern, as it seeks to use Western aid and technology to strengthen its role at home and abroad by building up its economy and military forces. The challenge for the Western nations is whether they can make the distinction between aid which will help the modernization process in China or aid which will strengthen China as an adversary of the Free World.

In the decades since the end of the Second World War, the United States has made a great investment in the development and protection of East Asia, even to involvement in four major conflicts within the Pacific theater – during the Second World War with Japan (1941-1945), during the continuation of the civil conflict between Chinese Nationalists and the Chinese Communists (1945-1949), and during the Korean War (1950-1953), and the Vietnam War (1954-1975). U.S. leadership in East Asia has been responsible for holding back the tide of totalitarian movements seeking to absorb the free states of Asia by way of military protection (the "nuclear umbrella"), economic ideas, models for political institutions, and aid/trade incentives to build a powerful base for a developing "Pacific community" in preparation for an "Asian Century". While peaceful relations with the PRC (and any other nation in the region) is helpful to the U.S., as a leader of the Free World and the architect of East Asia's prosperity the United States has commitments in the region which must be maintained and

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strengthened if the sea lanes and trade avenues of East Asia are to continue to remain open and Asian political institutions are to continue to develop toward the greater personal freedom implied in the American ideal of democracy. Maintaining the freedom – both economic and political – of Japan, South Korea, the Republic of China on Taiwan, and the ASEAN nations, constitutes the essence of a stable and peaceful and prosperous East Asia. A reevaluation of the present program between the People's Republic of China and the United States is necessary if the price is a lessening of security for the nation states of East Asia.

The present United States policy of assistance to the People's Republic of China's program of "Four Modernizations" is likely to continue, but U.S. policymakers must use moderation, caution and a concern for the broader questions of concern for national security at each step of the process designed to make China into a modern state. If China can develop and bring benefits to its people, moderating its aggressive behavior (and Hong Kong, Vietnam, and the Republic of China on Taiwan will serve as test cases) under the leadership of an enlightened government, then the United States investment will be worthwhile. If China's bureaucracy is so cumbersome and so inefficient that much of the investment is wasted, then the U.S. will lose precious resources, but the experience may have little long range consequences. However, if the United States pursues a policy of massive aid and technology transfer, only to build a powerful, dictatorial and aggressive China which can theaten the United States and U.S. interests – economically, militarily, and politically – then the United States may realize only too late that it has repeated the same mistake it made earlier in this century when it built up the Soviet Union, only to face the consequences of having aided a determined adversary. The United States needs to analyze and carefully play the "China Card" so that it may avoid having to one day discover that in aiding China it had helped to strengthen an enemy which will continue to oppress its own people while threatening the free nations of East Asia.

Deng Xiaoping solidified his power and influence over the Chinese Communist Party as the Fifth plenum of the Twelfth Party Central Committee met in Beijing at the end of September, 1985 to elect almost two hundred new members to the

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Politburo, the Secretariat, the Central Advisory Commission, and the Central Committee for Discipline Inspection. Deng's placement of his supporters in key positions in the Chinese Communist Party leadership strengthened his hand as aging revolutionaries "retired" to make way for a younger generation (e.g., the average age of the six new members of the Politburo is now sixty years of age compared to an average of eighty years of age for their predecessors). The meeting took on an additional significance as Chen Yun, an economist and Politburo Standing Committee member, criticized the idea of allowing market forces to determine production and chastized members of the Chinese Communist Party for a laxness in ideology and discipline as the "unhealthy tendencies" of capitalism (e.g. corruption and the tendency to "put money above all else") took root in China. Even Deng Xiaoping, while promoting his economic reforms in the next five year plan, denounced the "pernicious influence of capitalism" and the influencial Chen reminded delegates at the party conference: "We are Communists. Our goal is to build socialism." While China would continue its "open door" policy of trade and acquisition of technology, the meeting revealed a concern of the Chinese Communist Party leadership that extensive borrowing and lax controls over the economy had resulted in a twenty-three per cent boost in output during the first half of 1985. The new strategy for the seventh five year plan would be more restrictive growth, additional economic regulation, and a slowdown in China's growth rate for the rest of the decade with only a promised five per cent annual improvement in living standards for the Chinese people.(35) This Twelth Congress had reinforced the Communist Party control over the economy within the framework of Deng's "Four Modernizations" sacrificing more extensive economic growth which would benefit the Chinese people.

"Sweet and sour" capitalism may suddenly turn very sour as the darkening clouds of military confrontation and political instability pass over the nations of East Asia, aided and abetted by a United States policy which reads more hope than sound reality into the consequences of the "Four Modernizations." For while "to get rich" in China may be "glorious," it could prove dangerous for other parts of East Asia and even for the security interests of the United States itself.

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FOOTNOTES

(1) Roger Scruton, *A Dictionary of Political Thought*, New York: Hill and Wang, 1982, pp. 429-430. This work provides a number of easy working definitions for the philosophies discussed in this chapter. Smith's views are best expressed in his classic work *An Inquiry Into the Nature and Causes of The Wealth of Nations*, New Rochelle, New York: Arlington House, 1965, Volumes I and II. See also E.G. West, *Adam Smith*, New Rochelle, New York: Arlington House, 1969, and Benjamin A. Rogge (editor), *The Wisdom of Adam Smith*, Indianapolis, Indiana: Liberty Press, 1976.

(2) Ibid.

(3) Ibid., pp. 289-290. See also George Lichtheim, *Marxism: An Historical and Critical Study*, Washington, D.C.: Frederick A. Praeger, 1966, and Bertram Wolfe, *Three Who Made A Revolution*, New York: Stein and Day, 1984.

(4) Ibid., pp. 266-267. See also Theodore H. von Laue, *Why Lenin? Why Stalin? A Reappraisal of the Russian Revolution, 1900-1930*, Philadelphia: J.B. Lippincott Company, 1964.

(5) Frank Ching, "Marx Never Meant His Theories to Apply to China," *The Asian Wall Street Journal*, March 8-March 9, 1985, p. 8.

(6) Richard L. Walker, *China Under Communism: The First Five Years*, New Haven: Yale University Press, 1955, pp. 181-182. The author, presently the United States Ambassador to the Republic of Korea, noted that Mao's name was invoked by the Chinese as the all knowing leader in their field and every public utterance ends with a "Long Live Mao Tse-tung!" He quotes the national favorite song in praise of Mao:

> The East shines red,
> The sun arises,
> Mao Tse-tung appears in China,
> Toiling for the happiness of the people,
> The savior of the people!

He notes: "In many ways Mao has come to fill the symbolic position of the Chinese emperors of old who not only were heads of state but were also regarded as the first scholars of the land, the leaders in all matters affecting Chinese society, and the symbolic representatives of the unity of the people." Ibid., p. 181.

(7) Miriam London, "Bold Words From China," *The American Spectator*, June, 1985, p. 20.

(8) "China's New Capitalist Hustle for Profit," *The Asian Wall Street Journal* March 7, 1985, pp. 1, 5; Harry Harding, "Reform in China: A Mid-Course Assessment," *Journal of Northeast Asian Studies*, Volume III, No. 2 (Summer, 1984), pp. 20-24. A discussion of how Russia moved away from its economic liberalization and guided market plan in the New Economic Policy (NEP) begun in 1921 to direct economic planning (Stalin ended it in 1929) can be found in E.H. Carr, *Foundations of A Planned Economy 1926-1929*, New York: The Macmillan Company, 1969, Volume I: 1971, Volume II. R.W. Davis co-authored Volume I.

(9) Bradley Graham, "Hungary's Restive Writers," *The Washington Post*, March 23, 1985, p. A18, and "It's Now Okay With the Party To Acquire Riches in Hungary: Equality of Opportunity Is Country's New Catch Phase." Ibid., March 29, 1985, p. A34.

(10) "The Marxist World Lure of Capitalism," *U.S. News and World Report*, February 4, 1985, pp. 40-41. See also the analysis by Hokkaido University Professor Kiichi Mochizuki, "Chinese, Soviet, and Hungarian Economic Reforms Compared," *China Newsletter No. 54*, pp. 7-10.

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(11) Rick Gladstone, "Capitalist flourishing in China," *The Philadelphia Inquirer*, July 14, 1985, p. 14-C. In the apt phrase of Orville Schell's perceptive book on China: *To Get Rich Is Glorious* (New York: Pantheon Books, 1984). This slogan can represent another Communist Party drive emphasizing incentive and hard work to build up China.

(12) Harding, "Reform in China: A Mid-Course Assessment," p. 7.

(13) *Asia 1985 Yearbook,* Hong Kong: Far Eastern Economic Review, Limited, 1984, pp. 136-137.

(14) Daniel Southerland, "China Plans Merit Pay Increases for Government Workers," *The Washington Post*, July 7, 1985, p. A17. The announcement by the official New China New Agency said additional pay would be given to government employees based on their performance and responsibilities rather than seniority alone. This could represent almost a $1 billion raise spread among government workers numbering as many as 20 million.

(15) Harding, "Reform in China: A Mid-Course Assessment," p. 13; London, "Bold Words from China," pp. 19-21.

(16) "Half A Market," *The Asian Wall Street Journal*, May 3-May 4, 1985, p. 8. A short critique of the ideas of Karl Marx on economics and the advantages of expanded capital ownership can be found in Louis O. Kelso, "An Ideological Critique of Das Kapital," entered in the *Congressional Record* (by Representative Phil Crane of Illinois), July 8, 1985, pp. E3138-E3140. Some of the classic works of earlier years critical of the operation of socialist economies and showing the advantages of the free market should not be ignored: Friedrich A. Hayek, *The Road to Serfdom*, Chicago: The University of Chicago Press (Phoenix Books), 1967, and *The Constitution of Liberty*, Chicago: The University of Chicago Press, 1960; Ludwig von Mises, *Human Action: A Treatise on Economics*, Chicago: Henry Regnery Company, 1949, and *Socialism: An Economic and Sociological Analysis*, Indianapolis, Indiana: Liberty Calssics, 1981; and Wilhelm Ropke, *A Humane Economy: The Social Framework of the Free Market*, Indianapolis, Indiana: Liberty Fund, Inc., 1971. See also "Winds of Change: Evolution of Economic Doctrines," pp. 839-850 in Paul A. Samuelson, *Economics*, New York: McGraw-Hill Book Company, 1955 (tenth edition).

(17) Robert Delfs, "Revolution run riot," *Far Eastern Economic Review*, July 11, 1985, pp. 54-56.

(18) Daniel Southerland, "China Questions Pace of Change," *The Washington Post*, July 5, 1985, pp. A1, A24.

(19) Harding, "Reform in China: A Mid-Course Assessemnt," pp. 23-24.

(20) Ibid., p. 20. See Daniel Southerland, "Do the Chinese Hate Foreigners?" *The Washington Post*, June 16, 1985, p. C5, and "Them and Us," *Chicago Tribune*, June 30, 1985, pp. 8, 9-13, 15, 27. The latter article discusses an important issue: although Americans are generally well received in China mostly because of a desire to mimic the American lifestyle, this is not the full picture. It notes, that, overall Russians tend to be "bearish and blunt" but the Chinese are always "civil and circumspect" to everybody: "The mistake many Americans (tourists and business people alike) make is to misread Chinese politeness for genuine friendship." Ibid., p. 12. The article also describes some of the more negative aspects as when Chinese talk among themselves about Americans and cartoons which criticize features of Americans and the haughty attitude of Westerners. Ibid., p. 11.

(21) See Cheng Chu-yuan, *Mainland China — Why Still Backward?*, Taipei, Taiwan: Kuang Lu Publishing Services, 1983, pp. 59-68.

(22) Keith Marsden "Why Asia Boomed and Africa Busted," *The Wall Street Journal*, June 3, 1985, p. 22. The author contrasts the boom in East Asia with the stagnation in Africa. He observes that in contrast to the low taxes and free markets in East Asia, the African governments have overextended themselves by direct

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management of industry and agricultural marketing. The conclusions are based on a study of seventeen countries over the period 1962-1985, including the African countries of Ghana, Ivory Coast, and Kenya and the Asian nations of South Korea, the Philippines, and Thailand. An examination of fifteen nations and why socialist economic policies fail (including the People's Republic of China) can be found in Sven Rydenfelt, *A Pattern for Failure: Socialist Economies in Crisis*, San Diego, California: Harcourt Brace Jovanovich, 1984.

(23) James P. Sterba and Lee Lescaze, "Vietnam's Legacy of the Asian Dominoes That Haven't Fallen, Several Are Thriving," *The Wall Street Journal*, March 14, 1985, p. 1. A focus on some special economic and other concerns of the ASEAN nations can be found in Watanabe Taizo, "Southeast Asia's Great Expectations," *Japan Echo*, XII, No. 1(1985), pp. 15-19.

(24) Don Oberdorfer, "11 Nations on Pacific Rim Forge New Tie," *The Washington Post*, July 14, 1984, p. A12.

(25) Eguchi Yujiro, "Japan in the Pacific Age," *Japan Echo*, XII, No. 1(1985), p. 13. The author, a senior economist at the Nomura Research Institute and the author of *The Japanese Economy's International Contribution*, notes that if present trends continue Japan could become the world's largest creditor nation assuming the role formerly held by the United States and Britain and in ten years Japan's external assets, expected to reach $500 billion, will be at a level far in excess of America's foreign holdings at its peak. Ibid., p. 9.

(26) Sterba and Lescaze, "Vietnam's Legacy of the Asian Dominoes That Haven't Fallen, Several Are Thriving," p. 1. Discussion of the economic principles behind the boom in Asia can be found in Ronald C. Nairn, *Wealth of Nations in Crisis*, Houston, Texas: Bayland Publishing, 1979, and Donald J. Senese, *Asianomics: Challenge and Change in Northeast Asia*, Washington, D.C.: The Council on American Affairs, 1981.

(27) Donald H. May, "Nations seen facing economic crossroad," *The Washington Times*, July 3, 1985, pp. 7C, 10C.

(28) John Walden, "Hong Kong Changes A Democratic Mirage," *The Asian Wall Street Journal*, 1985, p. 6. The author, former director of home affairs in Hong Kong, notes that citizens of Hong Kong realize that while China has liberalized its economic system the government in Beijing has not moderated its intolerance of political dissent and notes that the present reforms do not give the people of Hong Kong the hope of exercising real control over their government after 1997.

(29) "China's New Breed Capitalist Hustle for Profit," p. 1, 5. In a cynical comment based on experience, the article quotes a Mr. Chen involved in the information and technology business who states that by his estimate the time period for each political cycle is about ten years. He figures since the present cycle has been in operation about two years, he still has eight years to make money under the present program pushing economic incentive and market reforms.

(30) Dinah Lee, "Taiwan Hits Illegal China Trade," *The Washington Post*, July 11, 1985, p. E6.

(31) Ibid.

(32) Confusion over trade with m'land," *The China Post*, June 26, 1985, p. 1 and Chang Hsu-hua, "Dos and Don'ts for Reports on Mainland China," Ibid., p. 2. Professor Chang serves as the Dean of the Graduate School of Journalism at the Chinese Culture University.

(33) Dusko Doder, "Moscow, Peking Sign Pact: Trade Agreement Seen Reflecting Improved Relations: *The Washington Post*, July 11, 1985, pp. A1, A28.

(34) *China Policy for the Next Decade: Report of the Atlantic Council's Committee on China Policy*, Washington, D.C.: The Atlantic Council, October, 1983, pp. 34-37. See also Morton A. Kaplan, *United States Foreign Policy and The China Policy*, Washington, D.C.: Washington Institute for Values in Public Policy, 1982.

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(35) "Chan Yun Lashes Out at Tengist Reform," *The China News*, September 24, 1985, p. 1; "Red China picks new Politburo," *The China Post*, September 25, 1985, pp. 1-2; "Chian's Seventh Five-Year Plan Aims at Only 5% Annual Growth," *The Asian Wall Street Journal*, September 23, 1985, p. 3. For a more detailed analysis Daniel Southerland, "China's New Communists," *The Washington Post*, September 8, (pp. 1, 22), September 9 (pp. 1, 16) and September 10 (pp. 1, 16) and "China Shakes Up Party's Top Ranks: Way Smoothed for Deng's Young Reformers," ibid., September 17, 1985, pp. 1, 16) as well as Chang Chen-pang, "Teng Hsiao-p'ing's Succession Problem, *Issues and Studies*, Volume 21, No. 8 (August, 1985), pp. 1-4.

This article has been adapted from Chapter Eight of Dr. Senese's forthcoming book (due January 1986) entitled *Sweet and Sour Capitalism: An Analysis of 'Socialism with Chinese Characteristics*, which comprises an extensive and indepth survey of economic policies and developments on the Chinese Mainland (Council for Social & Economic Studies, Suite C-2, 1133 13th St. N.W., Washington D.C. 20005. Price $20.00)

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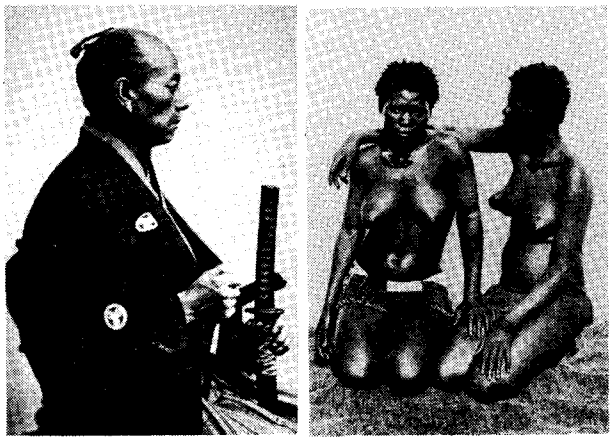

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THE PHILIPPINES UNDER MARCOS

By Z. Michael Szaz

1. The "Old Society" Rule in the Philippines

The eastern bastion of Southeast Asia is constituted by the Philippine Islands, a Spanish colony until 1898 and an American colony between 1898-1946.

The Philippine Archipelago covers over 7,000 islands, extending 1,000 miles from north to south. It separates the South China Sea from the Philippine Sea and the Pacific Ocean. Total land area is about 115,730 square miles, of which the two largest islands, Luzon and Mindanao, occupy 65 percent. The population is about 46 million, of which 80 percent are located at Luzon and the Visayan Islands.

Most of the inhabitants are of Malay racial stock, except for a small number of ethnic Chinese. The prime basis for differentiation is religion, and besides the overwhelming Catholic majority, there are Moslem Philippinos (Moros) and pagan tribes in the forests. There are many Philippino dialects, but the national language, spoken by 55 percent of the population, is a form of Tagalog. English is widely used in business, government, and schooling.

The Philippine Islands were occupied by the Imperial Japanese Army during World War II, but many Philippinos continued to resist as guerrillas, some of the elite collaborating with the Japanese occupiers. Honoring the loyalty displayed by Philippinos toward the United States in World War II, the United States Congress awarded independence to the Philippines in 1946, a year after the liberation of Manila from the Japanese.

The 1946 American legislation proclaiming independence was largely negotiated before the war in 1941. Congress also enacted the Philippine Trade Act of 1946 which, while providing for the gradual elimination of preferential treatment of Philippine goods over a period extending to 1974, included a "parity clause." This clause stipulated that Americans were to have equal rights with Philippinos in business and trade. A second item of legislation made American payments for war damages

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dependent upon Philippino acceptance of the parity clause.(1)

In order to adopt the parity clause, the Philippine Constitution had to be amended, and this amendment was confirmed by a plebiscite in 1947, despite serious frustration among Philippinos on this issue. Under President Roxas, the government also organized the Philippine Rehabilitation Finance Corporation and stabilized the economy, so that by 1950 production levels had revived to equal those of 1938.

In 1947 the Philippines signed two defense-related arrangements with the United States. The first granted to the United States a 99-year lease upon Subic Bay and Clark Field, the naval and air bases in the Philippines. The second agreement provided for the training and equipment of the new Philippine Armed Forces by the United States.

Shortly after independence, the government experienced the rebellion of the pro-Communist Huk leaders, who succeeded in gaining control over large parts of central Luzon. President Roxas died in April 1948 and was succeeded by Vice President Elpidio Quirino, who was confirmed as president in 1949 in a rather questionable election. Those were days of low public morality, and of timidity in reforms and defense efforts against the Huks. The bitter division between those who had fought as guerillas and those who had collaborated still prevailed. Only in foreign policy did the course remain steady, in favor of dependence on American protection and support for anti-Communist forces in other parts of Asia.

President Quirino was blessed, however, with a popular, imaginative and successful Minister of Defense in the person of Ramon Magsaysay. Magsaysay was of humble background, but was widely respected because of his role as a successful guerilla leader in World War II. In 1951, the forces under his control defeated the Huk rebels and leadership. Following this victory, Magsaysay reorganized the armed forces and settled many of the former Huks at Midanao, so that only a few bandit groups remained in the mountains of Luzon. During the same period, the Philippines signed a Mutual Defense Treaty with the United States firming up the American umbrella of naval and air protection in case of enemy attack.

The enormously popular Magsaysay was elected president by a large majority in 1953 on the *Partido Nacionalista* ticket. Unfortunately, he was unable to serve out his full term, being

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killed in an airplane crash in 1957. Before his untimely death, however, he succeeded in creating institutions for handling complaints by the citizenry and improved agrarian living conditions. Magsaysay also extended local government autonomy and encouraged unionization among urban workers. Despite his popularity, he could only partially implement his land reforms, partly because of his political inexperience and partly due to the combined opposition of the elite. Insufficient funding was available for his land reform program which called for the expropriation of large estates to be redistributed to the landless.

Under President Magsaysay the Philippines pursued an active foreign policy. In 1954 he hosted the international conference, after the fall of Dienbienphu, which established the Southeast Asia Treaty Organization (SEATO). The organization included the United States, Great Britain, France, Australia, New Zealand, the Philippines and Thailand. Diplomatic relations with Japan were restored in 1956 after Japan had agreed to pay $800 million in reparations for war damage over a 20-year period.

President Magsasay also improved the economic position of the Philippines by persuading the United States to enact the United States-Philippine Trade Act in 1955, superseding the Philippine Trade Act of 1946. The new agreement abolished the right of the United States to control the exchange rate of the Philippine peso, made parity rights reciprocal, and extended the time period of preferential treatment for Philippino goods and the Philippino sugar quota.(2)

Under Magsaysay's successor, Vice President Carlos P. Garcia, the government adopted a more nationalist stance, called "responsible independence," which had special reference to the economic sphere, and in the 1959 military talks regarding the lease of the U.S. bases the United States agreed to give up substantial land holdings around the bases not needed for future military construction.

Concern with regard to the growing ethnic Chinese minority also occupied the Garcia government. Deportation was not possible, as the Republic of China on Taiwan was unwilling to accept those whom the Philippine Government wanted to deport. Finally the matter was settled by negotiation and a token repatriation of Chinese to Taiwan was agreed upon.

The 1957 elections bringing Garcia to power resulted in the election of Vice President Macapagal, who belonged to a differ-

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ent political party, namely, the Liberal Party. By 1963, the Liberal Party had became strong enough to win the presidential election with Macapagal heading the ticket.

Macapagal was the second reformist president, and like Magsaysay he did not come from one of the elite "400 families." His program included the enactment of the Reform Code of 1963 to promote an agricultural leasehold system as a step toward abolishing sharecropping. However, the program encompassed only 72,000 of the one million acres cultivated by sharecropping tenants. Macapagal signed a Status of Forces Agreement with the United States under which Philippine judiciary acquired jurisdiction over American servicemen in most cases, and the 99-year lease on the bases was reduced to 25 years. However, in the 1965 elections Macapagal lost to Fernando Marcos, mostly because his reforms did not achieve their goals and because of public dissatisfaction with official corruption and high consumer prices.

2. The Marcos Government before the Martial Law of 1972

President Marcos originally worked within the confines of the "old society" system. What he called old society was the Philippines' seventy-five years experimentation with the American democratic system which had made the islands "the showcase of democracy in Southeast Asia." In this system the checks and balances between the three co-equal branches of government were observed and the leaders were accountable to the people in elections held every four years. The 1935 Constitution even limited the incumbent President to two terms.

Political power was contested through the framework of a two party system with colorful campaigns and a variety of election irregularities. Despite the irregularities, however, political power was transferred by constitutional means. Political power was concentrated in the Manila area, but was exercised in a democratic way. The countervailing balance between the President and Congress and the general lack of discipline inside the two parties tended to neutralize the possibility of a dictatorial rule. Voter participation in both general and local elections was high and the press and electronic media gained sufficient independence to enable them to be fiercely critical in matter of public affairs, and to become in effect a fourth branch of government.

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To quote from Chapter 10 of the *Handbook on the Philippines*:(3)

> It is probable that the pre-1972 system endured for as long as it did because it had been tempered by and adopted to indigenous patterns of resolving sociopolitical conflicts. The system was distinctly Western in form but overlaid the traditional pattern in such a way that the old and the new could coexist and in fact complement one another.

The two major parties were the Nacionalistas and the Liberals. They were virtually identical in policies and modes of operations. Electoral success for a party did not mean the victory of the party platform, and the concept of "responsible party government" in the Western sense was remote from the Philippino mind. As R. Stephen Milne stated, the parties were held together "by loyalties to persons, to party leaders, to friends, to *compadres,* to relatives, and to party platforms or ideologies."(4) Loyalty could be permanent if based on kinship, but when it is not based on kinship, there was no stigma attached to changing parties — unlike in the United States. Just as Magsaysay left the Liberal Party, so Ferdinand Marcos left the Liberal Party to run on the Nacionalista ticket.

What gave the regime a democratic content was the patron-client relationship on the local *barrio* level, a form of informal mutual aid relationship in which the political patron took care of the needs of the client in a manner somewhat similar to the political machines which operated in American cities in the first half of the 20th century. The parties really served as conglomerates of these patron-client relationships, and in this manner took care of the local needs of the populace. By and large this indigenous pattern helped to maintain a stable society despite social and economic inequities. The system also allowed the client to switch allegiences if the patron did not keep his political promises. The political party to which the unfaithful patron belonged was not blamed by the voters who supported individuals rather than parties. By the early 1960s this system started to disintegrate. First, the rural population was becoming increasingly politicized, the rural economy was based on money rather than barter and the attendant erosion of the traditional basis of landlord-tenant relationship meant that the landlords could no longer take the political loyalty of their tenants for granted.

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The personalization, some call "privatization," of political functions led, of course, to widespread corruption. The public officials, too, had to take care of private, family and client interests although technically they were servants of all the people. Corruption was too deeply rooted in the system to be erased, the best people hoped for was that it would be muted. In the words of the authors of the *Handbook on the Philippines*: (5)

> The ubiquity of personalism tended to discourage the evolution of intermediary sociopolitical institutions...interest groups also suffered from lack of effective political leadership, group solidarity, and continuity, they had only a weak role in a system in which politicians found it necessary to appeal to nearly all social segments.

Another disadvantage of the system was the high cost of elections which had substantially increased with the growing number of voters and their demands for handouts, food, drink, transportation and cash during the campaign. Although there were limits for campaign spending by law, the laws were ignored. The high cost of elections not only favored wealthy candidates but was also one of the main causes of graft, corruption and misgovernment. In addition to personal expenses the voters also insisted on pork barrel. The 1961 elections were estimated to be the most expensive in Philippine history, the cost thereof amounting to eight percent of the annual budget. When President Marcos ran in 1969 under the old system, it was estimated that his party alone spent the equivalent of one-third of the national budget. As described by Teodoro M. Locsin, this overspending resulted in an inflation of prices of commodities and in the bleakest Christmas that many could remember. (6)

President Marcos was himself a product and beneficiary of the old system. He was born in 1907 in Ilocos Norte and at an early age became the most decorated guerilla leader of World War II. In 1949 he was elected to Parliament as a Liberal Party candidate. Marcos' legislative talents were soon recognized, and he served as the minority leader in the House before being elected to the Senate in 1959. He served as the president of the Senate between 1958 and 1965, and won the Presidency as a Nacionalista Party candidate in 1965. In an unprecedented victory he won reelection in 1969. Normally his second term

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would have expired in 1973 and under the 1935 Constitution he would have been barred for reelection. However, his election victory in 1969, which also resulted in the election of a large number of Nacionalista deputies and senators to the Congress, provided him with the political base to try to implement his campaign promises, although he still had to struggle with increasing disorder. In January 1970, thousands of students took to the streets in Manila and clashed in bloody confrontations with the police.

By January 1971 the Vice President Fernando Lopez publicly broke with the President, and his defection was soon followed by Jose B. Laurel and an influential senator, Jose W. Diokno, from the Nacionalista Party.

Disorder reached a new climax in August 1971, when a grenade exploded at a Liberal Party election rally being held at the Plaza Miranda in Manila. President Marcos blamed Communist factions for the incident. Shortly thereafter the first confrontation took place with Senator Benigno Aquino, Jr., who accused President Marcos of using scare tactics to perpetuate himself in power, and the President replied, identifying Aquino as a Communist.

The off-year elections in November 1971 resulted in the Liberal Party capturing all eight of the senatorial seats at stake, but even these elections were accompanied by increasing violence, with 200 people killed and more than 200 wounded.(7)

In addition to the urban and political violence, Marcos was faced with a full-scale rebellion among the Moslem Moros. Communal clashes at Mindanao resulted in more than 1,000 deaths between September 1970 and September 1971. At first the Moslems rose in arms against the encroachment of Christian settlers in a region-wide protest, but by the end of 1971 the movement had changed into a secessionist one. In early 1972 a giant typhoon inundated much of central Luzon, and the ensuing summer brought a disastrous drought to the Visayan Islands and Mindanao.

As if to prove President Marcos' point, there was a new resurgence of the Maoist New People's Army (NPA), the military arm of the outlawed Communist Party of the Philippines. Lawlessness increased in Manila itself, and the charges and countercharges between the Marcos Administration and the opposi-

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tion painted a grim picture of corruption and irresponsible opposition for opposition's sake.

By July 1972 the situation had worsened. The government announced that it had discovered a 100-ton cargo ship of Philippine registry, the Kargatan, delivering supplies to the Communist rebels of NPA. More bombings occurred in Manila, with the government attributing these to the Communists, and Senator Aquino alleging that this was an exaggeration. Meanwhile, the highest ranking government technocrat warned that the growing domestic insecurity was endangering the economy.

The stage was now set for the proclamation of martial law. The President hinted on September 12 that he would invoke emergency powers if necessary. The next day Senator Aquino accused the military of developing a plan to put Manila and the strategic provinces of Rizza and Bulacan under military control. On September 16, President Marcos accused the Liberal Party of conspiring with the NPA in order to launch a united action against the government. Five days later he charged that Aquino had met secretly with NPA leader Jose Maria Sison to plan an insurgency against the government.

In the period immediately prior to the imposition of martial law, the "old Society" was in disarray. The traditions of peaceful coexistence between the two parties no longer existed; both President Marcos and Senator Aquino were on a clear confrontation course; and Aquino had apparently invoked the help of the Communist NPA. Domestic insecurity increased and economic growth was partially stifled. The old patron-client relationship was becoming increasingly supplanted by ideological and political rivalries on a national rather than a local scale and could not be mediated within the two party system. The need for order was pressing, and President Marcos did not let the challenge or the opportunity pass unheeded.

3. President Marcos' Rule Under Martial Law.

Martial Law by President Marcos was announced and implemented on September 23, 1972. He referred to the powers vested in him under the 1935 Constitution in the event the republic was threatened with lawlessness, rebellion, invasion or insurrection. He pointed to the existing rebellion which had cut

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back economic activity, forced the closure of many schools and undermined the effective administration of justice, and stated that even the government was endangered. The objectives of the martial law declaration was said to be the restoration of law and order and the implementation of sweeping economic and social reforms. At the same time it was emphasized that no military takeover had occured and that the civilian officials would continue to exercise their functions in a manner compatible with the spirit of the "New Society".

Besides the curfew, the ban on rallies, and the arrest of twenty persons (including Senator Aquino, Diokno and V. Mitra and prominent newspapermen), the government confiscated the arms of the private armies of political warlords and enforced order in the streets. The next blow was struck against corrupt and inefficient bureaucrats and judges. Six thousand of these were dismissed and/or prosecuted by the end of 1972. Steps were taken to change tax procedures, banking laws and sugar and rice marketing organizations – the objects of long-frustrated reforms.

President Marcos also announced a sweeping land reform program for small farmers. When fully implemented the program was calculated to improve the lot of 65% of the Filippinos engaged in agriculture. In underlining the importance of these steps the President pointed out that the success or failure of the martial law regime would depend upon the success or failure of the land reform program.

Within weeks crime was reduced, crime syndicates forced off the streets, corruption greatly contained and with improved tax collection the economy showed the first signs of renewed development.

The martial law measures were generally welcomed by the population despite the wait-and-see attitude of many. There was no bloodshed and Manila remained calm. The President's program aimed at removing social and economic inequities was generally supported by the people who had been frustrated by the failure of past reform efforts. The comprehensive nature of the reforms announced in November 1972, which included law and order, land tenure, labor, education, the economy, social services, and politics and government were welcomed by many.

Political interest centered on the Constitutional Convention

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which was in the final stages of drafting a new Constitution. Without publicity, the Convention, in which Marco's supporters had a majority, adopted an Article covering the transition from the old society to the Marcos-sponsored "New Society". In order to assure smooth transition, the Article provided that all decrees issued by the president under martial law would become part of the law of the land even after the lifting of martial law. Another article provided that during the martial law period the incumbent president would exercise the powers vested in him by the 1935 Constitution and also the executive powers vested in the prime minister under the new draft Constitution.

On November 29, 1972 the new Constitution was approved by the convention and was to be confirmed by a popular referendum on January 15, 1973. However, the January vote never took place, as on December 21 it was announced that more time was needed for debate. The cancellation of the referendum went hand in hand with the establishment of the *baranguays* in the *barrios* and in each ward in major cities having no *barrios*. The *baranguays* were to consist of all citizens in the area who had been there for at least six months and were over fifteen years of age. This was a return to the smallest political unit for "consultation" before building up democracy in the "New Society". President Marcos now set the stage for "national consultation" in his January 7, 1973 speech assessing the accomplishments of the first 100 days of martial law.

In this speech the President called for sacrifices of personal interest by the people in favor of the "higher interest of the state and the government". He warned that the "enemies of the state" were already taking advantage of the relaxation of martial law. The President asked the *baranguays* to debate certain questions: whether or not they approved the New Society program, the reform measures initiated under martial law, the convening of the interim National Assembly, and the holding of a plebiscite of the draft constitution.

On January 17, 1973 President Marcos declared the Constitution as having been ratified as the voters of the *baranguays* by a show of hands, not only approved the Constitution but wanted their vote to be considered as the result of a national plebiscite. The *baranguay* voters were stated to have approved the continuation of martial law, the non-convocation of the

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interim National Assembly and agreed that the 1973 elections, due under the rules of the 1935 Constitution would not be held and elections would be postponed for seven years.

President Marcos used the *baranguays* as a substitute for political party approval. On July 27-28, 1973 they approved by a 90 percent show of hands his continuation in office over and beyond the period of martial law. "Constitutional authoritarianism" was thus introduced in the Philippines. Two years later the President again used this Bonapartist plebiscite via the *baranguays* to legitimize the continuation of martial law and his reform policies. By the end of 1975 the *baranguays* had become a permanent feature of the new political system. A presidential decree of 1974 established them as the lowest political subdivision of the country instead of the *barrios* which they replaced. In November 1975 a new decree broadened the membership of the provincial, city and municipal boards to include *baranguay* representatives.

By late 1975 the institutionalization of the reforms of the martial law regime were in full bloom. The country was calm except for the Moslem Moro rebellion which tied down three-fourths of the army's combat battalions. Even here the government tried to redress some of the Moslem grievances by granting more local autonomy to the Moros and improving their economic situation. Of course, political dissent was stifled and there was no political machinery through which the opposition politicians could gather public support.

Economically, some reforms had already been undertaken by President Marcos even before the proclamation of martial law. These included the foreign exchange reform which devalued the *peso* and set a floating rate for its value. But major moves to solve the overwhelming economic and social problems had to await the martial law government and the New Society program. A major focus, besides the enactment of land reform, tax collection, foreign investment expansion, industrial dispersal measures and banking reforms, was the strengthening of the government's development planning capabilities. In late 1972, President Marcos created the National Economic Development Authority (NEDA).

Emphasis was placed upon the search for foreign loans whether from the U.S. or the international financial bodies and private banks. In the first few years the measures for stimulating

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agriculture brought only modest results because of institutional and social factors placing obstacles in the way of the land reform. Yet agriculture still contributed one-third of the GNP and two-thirds of the foreign exchange earnings of the Philippines. Mining was promoted especially while copper prices remained high. Industry expanded but remained mostly concentrated in Manila and still based on relatively small, highly capitalized manufacturing units.

As far as tax collection measures were concerned, the martial law government was already showing results by late 1975. A monumental job had been done by government in the tax field because the revenue from taxes, compared to the GNP, remained very low before the imposition of martial law government, even when compared with other developing countries. The major revenue-earning reforms which helped to close the gap by 1975 were a revised tariff and customs code and revised duties on exports and excise taxes. The administrative reforms included not only a reorganization of tax collecting institutions but also the dismissal of many collection officials in order to check corruption. Property taxes were raised but the emphasis continued to be placed on sales and excise taxes rather than on income and property taxes.

In foreign relations, the martial law government moved to eliminate the parity clause with the expiry of the Laurel-Langley Agreement (of 1955) on July 3, 1974. However, when a final agreement was reached, the United States retained its preeminent position as a trading and investment partner. As of September 1972, 76% of all foreign investments were held by American citizens, mostly in the manufacturing, chemical and processing industries, and in 1975 American investments in the Philippines were estimated at $2 billion in market value. Against this figure it should be noted that $2.7 billion foreign aid was expended by the United States on the Filippines between 1946 and 1975.

Military cooperation with the United States continued during the entire period. President Nixon's visit to Manila in 1969 provided the occasion for a speech in which he states that the old "special relationship" between the United States and the Philippines must be replaced by a new relationship based on mutuality of interest and mutual respect. Nixon announced the "Nixon Doctrine" which asserted that American actions on

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The shock of the fall of the Republic of South Vietnam led to the establishment of diplomatic contacts with the People's Republic of China. This was all the more significant as for twenty-five years the PRC had been perceived by leading Philippine statesmen as an illegitimate, evil and expansionist regime that sought to subvert the existing institutions and government in the Philippines.(10)

After the Shanghai communique issued by President Nixon and Premier Chou En-Lai, initial Philippino contacts with the PRC were made by Senator Salvador Laurel. In September the wife of President Marcos, Imelda, flew to Peking visiting Mao and Chou. At that time a trade agreement was signed and formal relations were established on June 9, 1975 following a visit by President Marcos himself to Peking – the first such visit by any head of state of the ASEAN group. In order to recognize Communist China as the sole representative of the Chinese nation, the Philippines had to terminate diplomatic relations with the Republic of China, whose government they had recognized continuously since 1946.

Despite the breaking off of diplomatic relations with the Republic of China on Taiwan, however, many ties remained and were further cultivated. The Philippines continued to trade with Taiwan through trade offices set up by both sides in Taipei and Manila, and the two peoples remain excellent trade partners. To resolve the question as to which Chinese government should control the Chinese schools in the Philippines, President Marcos announced on June 6, 1975 that these institutions would be operated as Filippino schools beginning in 1976.

By 1977, international criticism of the "human rights" record of the Marcos Government had multiplied on account of the absence of elections and the rigor of the martial law authorities in stifling political dissent. Hearings were held in the United States Congress and the accusatory tone of these and the statements by Pat Derien, the Assistant Secretary of State for Human Rights, aggravated relations between Marcos and the incoming President Jimmy Carter.

Increasing criticism in America and reviving opposition at home were coincidental with moves by President Marcos to institute elections and to lift martial law partially for the 45 days electioneering period. The elections were announced

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the occasion of future crisis in Asia, would be influenced by the extent to which nations had taken measures to defend themselves rather than relying simply upon American assistance. The American President made it clear in his speech that the United States was not willing to become involved in domestic insurgencies and that the states of Southeast Asia must provide more substantially to their defense.

The basic issue of defense remained a matter of importance during the period of martial law. The fall of Saigon in 1975 shook President Marcos' confidence in the United States. In May 1975 Foreign Minister Romulo expressed his concern that: "We are inescapably led to the conclusion that the mutual defense treaty is far from being mutual and that it exists solely for the protection of the Unites States forces stationed in the Philippines." President Marcos would have liked a replacement of the language of the Mutual Defense Treaty by that of the NATO automatic guarantee, but during the days of Watergate the United States was in no mood to accept the Philippino argument.

The fall of Saigon also resulted in some soul-searching in Manila, including a military acceleration of self-help measures and statements about the necessity of a sweeping review of all security pacts. Yet despite the nationalist statements about the necessity of recovering national sovereignty over territory leased for the bases President Marcos was seeking United States commitment to remain a Pacific power and stated, "Let it be understood that the Philippines and the Filippinos are offering these facilities voluntarily and as an independent, dignified country and people."(9)

President Marcos finally ended the running dispute about reparations with Japan in 1973 in a treaty of Friendship, Commerce and Navigation which included a Japanese offer of $30 million to help build the pan-Philippine highway from northern Luzon to southern Mindanao. The treaty had previously been debated by the Philippine Congress, and had not been ratified because of objections that it lacked sufficient protectionist clauses for Philippine industry. Finally, ratification documents were exchanged in December 1973. Marcos had already improved relations with Japan before the fall of Saigon, and these ties were strengthened in the later phase of the martial law regime.

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in 1977 and held on April 7, 1978. The victorious candidates were to serve an Interim National Assembly, which had been created in 1976 by a referendum amending the 1973 Constitution, and had only limited powers. The elections signalled the end of the first phase of the martial law regime and the beginning of the political moves by President Marcos which eventually ended in the lifting of martial law in 1981.

4. The Late Phase of the Martial Law

The newly created Interim National Assembly cannot be dissolved by the President but cannot remove the President either. The President may veto legislation, but the Assembly may not veto decrees issued by the President under martial law and post martial law regulations. Of the 200 Assemblymen 165 were popularly elected; 14 were selected from government-approved youth, agricultural and labor organizations, and 21 seats were reserved for the Prime Minister and members of his cabinet. While not planning to share power with the Assembly on major issues, President Marcos sought to create a central civilian institution which could provide the basis for a civilian political party which would support his rule.

The new party made its appearance in the 1978 elections as The New Society Movement or *Kilusang Bagong Lipunan*. Between 65 to 90 percent of the candidates were recruited among members of the cabinets, undersecretaries, commission and authority chairmen or their wives, and former justices. Nine ex-Senators and 23 ex-Congressmen and former provincial and town officials and businessmen were also added to the list. Thus, it was a party of government officials and of prominent local personalities. The moderate opposition participated in the elections basically in order to be given an opportunity to criticize the government. Their organizing efforts focused on Metro Manila where they had the best chance of success. Under the acronym LABAN, this slate was headed by ex-Senator Benigno Aquino, Jr. and included former national and Manila politicians, professionals and "activists."(11) It is to be noted that, despite being in prison with a death sentence for subversion hanging over his head, Aquino was allowed to stand for election in Metro Manila. In the event Marcos' party won the elections in Metro Manila, notwithstanding the un-

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doubtedly strong showing of the opposition (30 to 40%), and the opposition, as usual, claimed election irregularities, intimidation and fraud. Some opposition candidates who feared arrest because of their statements against the Marcos Government dropped out of sight or left for the United States. When protests erupted against the alleged election irregularities 550 protestors were detained after the main body of demonstrators had been dispersed.

Despite the limited powers of the National Assembly, its speaker is the official successor of the President in case of the latter's death or incapacitation. The real power lies, however, not with the Assembly but with the Armed Forces of the Philippines, which grew from 58,000 to 115,000 between 1972 and 1978, in part as a response to the Communist victories in Indochina. About 17% of the total budget is allocated to the armed forces, and by 1978 the four regional commands were replaced by 18 commands of the Philippine Constabulary, in order to allow the regional commanders more influence in local administration.

Another base of President Marcos' power lies in the government bureaucracy, which he controls. Mrs. Marcos was also allotted an important role, in 1978, by the creation of a Ministry of Ecology and Human Settlements under her direction, which reinforced her position (since 1975) as the Governor of the Manila region. The Ministry is charged with planning, coordinating and monitoring development and social service activities in eleven basic zones in all 1,000 towns and cities, national land use planning and environmental management. It was assigned a number of retired generals as administrators on the regional level and gives Mrs. Marcos a separate power base within the national administration.(12) President Marcos, his friends and relatives also control a substantial position within the Philippine economy.

Opposition to the martial law regime after 1978 consists of the "moderate" opposition, made up of "old society" politicians trying to bring back the pre-1973 "democratic" regime, the NPA, and the Moro rebels.

When Sison was captured in late 1977, the NPA suffered a severe setback, but by 1978 it again had several thousands of fighters in central Luzon.

Domestically, President Marcos decreed a general amnesty,

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in part pressed by U.S. Congressional criticism. More than 2,000 persons were covered by the amnesty and grants of executive clemency (13). It was announced that no more cases would be handled by military tribunals and that the remaining 1,000 cases would be transferred to civilian courts.

The Moro rebellion presented the only serious military challenge. When the 1976 ceasefire broke down a year later, 50,000 government troops faced 20,000 Moro soldiers without achieving a resolution although hostilities now expanded to include Palwan and Mindanao islands.

Economic conditions in 1978 were still relatively respectable, growth was at the 6% level of the GNP but Marcos was expecting a recession and cut some of the domestic budget.

By 1980 patience with martial law regime was wearing thin and the institutions for effective government without martial law were by now in place. 1980 became a year of preparation for the transition from martial law to constitutional government. Before actually lifting martial law President Marcos authorized local elections in January 1980. The opposition was now factionalized, and also financially unprepared, and the result was an overwhelming victory of Marcos' New Society Movement which won 69 of the 72 governorships and 1,450 of the 1,560 mayoral posts.(14) The former Nationalist Senator Laurel won the election as a governor, and the President's son Ferdinand, Jr., was elected in an uncontested race. By 1980 the Marcos government had complete control of the local bureaucracies, an efficient organization and ample financing. Aquino was barred from participating in the elections because of his conviction for subversion, even though he had appealed this decision. However, he was allowed to leave for the United States for heart surgery in May 1980, and his departure removed him from the immediate political scene. In an attempt to force President Marcos to maintain a state of martial law, several violent disturbances were organized by the extralegal opposition during 1980. Indeed, in December 1979 a New Year's Eve plot was uncovered for the kidnapping of two army generals, the storming of the Presidential palace, the assassination of President Marcos, and the installation of U.S.-based Filippino exiles in his place. Colonel Jose Reyes and Senator Estrada Kaluw were involved and the conspiracy was headed by Raoul Manglapus (an exile in the United States)

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according to the government. On January 28, 1980, proceedings were also started against the members of the Light-a-Fire Movement, led by businessman Eduardo Oiaguer, for alleged subversion and arson.

In August and September 1980 explosions rocked Manila. These were committed by the new April 16 Liberation Movement, and seemed to dovetail with a speech by ex-Senator Aquino made in the United States before the members of the Asia Society in which he presaged urban guerilla warfare, assassination and the disruption of tourism. The government in Manila captured a would-be terrorist, Victor Loveby, who implicated both Aquino and several ex-Senators, including Manglapus, in the plot.

Finally, on October 19, 1980 a bomb exploded at the meeting of the American Society of Travel Agents (ASTA) in Manila only twenty rows away from President Marcos. The bomb injured twenty conventioneers. President Marcos now issued fifty arrests, and search and seizure warrants against Aquino and the implicated ex-Senators. Again the April 16 Liberation Movement claimed credit. Senator Salanga was arrested and jailed, but was soon released and placed under house arrest. President Marcos sought to conduct a "democratic dialogue" with the moderate opposition, discredit Aquino and find a modus vivendi without being obliged to postpone the lifting of martial law.

The approaching suspension of martial law brought the disparate opposition elements together. Former President Macapagal, former Vice President Lopez, former Foreign Secretary Salvador Lopez, and a number of ex-Senators from the Nacionalista, Liberal, Laban parties and the more radical smaller groups met and issued a covenant attacking President Marcos on August 28, 1980. They questioned the constitutionality of his rule, and criticized his human rights record, mutually agreeing on a common program following the reinstatement of democratic rights. Their program included "The liberation and protection of our country and people from all forms of foreign domination in all aspects of our national life," a veiled clarion call of anti-Americanism. Marcos' spokesman dismissed the program as mere words and the President declared that "the cause of national welfare and development must never be disposed and subordinated to the cause of men aspiring to power."

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(15) Others pointed out that the "Covenant's" statement on the supposed absence of political freedoms in the Philippines was belied by the fact that it could be issued overtly. Clark D. Neher also noted the ambiguity of the Covenant in terms of ties with the United States and its vagueness of alternative social and economic programs.(16)

The Covenant's supporters must nevertheless be sharply distinguished from the militant opposition in the Philippines, which is clearly subversive. This includes the old NPA, with about 2,000 armed followers, and the National Democratic Front which is an umbrella group for the Communists and the Moro National Liberation Front. The latter is violently anti-American and proclaims a Socialist-Communist version of economic and social reforms. Up until the present, neither have succeeded in gaining widespread support among the Filippinos, and both remain ideologically isolated. In the eight years of the martial law regime, President Marcos has built up an efficient administration run by well-trained technocrats. His administration has embarked upon policies of massive industrialization, with the aid of loans from the World Bank, and has kept an open door foreign investment policy – the industrial structure being organized toward the creation of an export-oriented economy.

At the end of the martial law period, President Marcos enjoyed the support of the army, of the economic and bureaucratic elite, and also of the major part of the electorate. There were no clear alternatives to his rule, and he could afford to lift martial law while retaining the emergency powers sufficient to crush any attempts at the revolutionary overthrow of the system.

5. President Marcos Since the End of the Martial Law

In 1981 it was President Marcos, rather than the opposition, that had the initiative. On January 17, 1981 the President proclaimed the end of martial law in front of 1,500 government officials, foreign dignitaries and generals. In issuing this "Proclamation 2045" he underscored the achievements of the regime, stressing land reform, improvements in labor relations and governmental efficiency, and relative improvements in the maintenance of peace and order, social services and living standards.(17)

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Despite the dismantling of martial law, the President retained the authority to issue decrees under the 1973 Constitution. The right to suspend *habeas corpus* in cases of subversion was retained, and all of the martial law decrees and all of the institutions they had created remained in effect, except those relating directly to the administration of martial law.

Next came an amendment to the 1973 Constitution, which established a French-style system with a prime minister selected by the President and serving at his discretion, who could be removed by a no-confidence vote in the National Assembly. Another amendment established rules governing the political parties and their membership. Both were approved by a nationwide plebiscite on April 7, 1982.

The amendments passed by a 79% vote margin, paving the way for a Presidential election on June 16, 1982. President Marcos met with ex-Senator Aquino in Tokyo but did not agree to the latter's conditions for participation in the elections.(18) Other candidates did come forward including a 'loyalist', Jose Roy, but Marcos was reelected by a 88 per cent vote margin with a high voter turnout of 85 per cent. Some difficulties seemed to center around the attitude of the Catholic clergy, especially Cardinal Sin of Manila, after the president quoted the late Pius XII to the effect that non-voting was a mortal sin and alleged that the Catholic Woman's League of the Philippines was unhappy 'with some Catholic leaders engaged in political agitation.'

During the visit of Pope John Paul II to the Philippines (February 17-22, 1981), the Pope took the middle ground between President Marcos and the opposition. While welcoming the lifting of the martial law, he warned that national security could 'never justify any violations of the fundamental dignity of the human person', but also counselled priests against 'an exaggerated interest in the wide field of temporal problems' in the name of the Gospel.(19) First Lady Imelda Marcos was with the Pope during most of his visit, and his warnings against communism and the lures of violence reinforced the government's stand in favor of order and against communist subversion. Thus, although, the UNIDO parties which had signed the Covenant have now began to cooperate openly with the far leftist and Communist National Liberation Front, their joint efforts have not so far provided a credible challenge to

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the stability of the Administration.

Economically 1981 brought lower inflation than 1980, when the rate stood at 19.1%. The economy grew by four per cent per annum. The oil price rendered the debt even higher and further industrial expansion plans were stalled.(20) The World Bank observed that the Philippines still faced a number of economic problems, but the year's results were definitely better than 1980. The basic problem of the economy is rapid population growth, it has to create 600,000 new jobs per annum.

In 1982, Marcos used his 'get-tough' tactics to keep the opposition at bay and prepared for a state visit to the United States, in pursuit of higher 'rental aid' for the U.S.bases at Clark Field and Subic Bay.

Under the new amendments to the Constitution, several opposition parties were formed. These included the Social Democratic Party which was joined by the Mindnao Alliance and the Philippines Democratic Party which had the support of ex-Senator Aquino and ex-Senator Manglapus.(21) Merger attempts by the Laban Party and the Liberal Party led finally in April 1982 to the creation of UNIDO (United Nationalist Democratic Organization), which includes twelve different political groupings, including Filippino exiles in America. Yet UNIDO failed to attain sufficient bargaining power to provide a viable alternative to President Marcos, because of political infighting between the various political opposition leaders. On May 17, 1982, President Marcos declared the *buranguay* elections non-partisan but about 90 per cent of the elected members supported the government.

In March 1982 President Marcos visited Ryadh to negotiate with Saudi Arabia in regard to the long-festering Moro rebellion that cost about 60,000 lives between 1972 and 1982. He promised elections and the merging of the executive councils in two provinces, which were to become semi-autonomous. This was to fulfill the terms of the 1976 Tripoli Agreement between President Marcos and the Moro Moslem representatives. In return, Saudi oil would flow uninterruptedly and the World Moslem League was to pressure the Moro Liberation Front to make peace with President Marcos. Unfortunately by the spring of 1983 Saudi Arabia was led to express displeasure that the terms of the 1982 agreement had not been

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kept by the Philippines President, and a scheduled Saudi state visit to Manila was cancelled. The problem arose from the elections in which the government party, KBL won all 34 seats with the Moslems receiving none. While the elections were peaceful, voter apathy was high 'suggesting that the autonomous government lacked legitimacy as a representative of the Moslem community.'(22)

In 1982 President Marcos moved against the progressive radicalization of the church opposition groups to his regime, a trend which included both Protestant and Catholic clergy. Catholic social action centers which were preaching a liberation theology (similar to that which is common in Latin America) were raided and some religious leaders jailed under charges of subversion. The Protestant National Council of Churches in the Philippines, an arm of the World Council of Churches, found several of its officials arrested, under charges of maintaining links with Communist organizations, and the National Labor Minister proposed a review of foreigner's work permits, with special reference to about 5,000 missionaries, mostly Protestant.(23)

During the summer of 1982 some dialogue was attempted between the military and the church after strong words were exchanged between Cardinal Sin and President Marcos. The army denied that it was persecuting the church, and the Catholic Bishop's Conference, under the chairmanship of the archbishop of Davo, replied that it hoped that these assurances would be 'substantiated not with words but with concrete actions.'(24)

Economically, 1982 was a bad year because of the worldwide recession and the fall in the prices of Philippine commodities on the world market. Copra, banana and copper, three major export commidities, brought in considerably less revenue and a contraversial copra levy had to be issued in order to protect the copra farmers from bankruptcy. Unemployment constituted a growing problem, reaching fourteen percent nationwide. The economy grew only 3.5 per cent, and exports were down 8.2 per cent. Inflation remained under 11 per cent but the trade deficit grew to $2.8 billion. Foreign debts rose to $17.9 billion and with a debt service ratio of 28 per cent the IMF became critical of Filippino debt management, with some analysts anticipating a debt reschueduling request in 1983.

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In foreign relations, President Marcos' September 1982 visit to Washington was a success which ensured enthusiastic American support for his Administration. President Reagan set the tone of the visit by praising President Marcos as a 'respected voice for moderation and reason in international forums' and gave him 'a fairytale state dinner' in the rose garden of the White House. Not only was an agreement signed on avaition, tourism and agricultural cooperation, but a U.S. Export-Import Bank loan of $204 million was granted and the Philippines subsequently received a $99.8 million loan from the World Bank for energy and fisheries development. (25) The basis for negotiating a base agreement were also laid.

Interestingly, President Marcos also made a conciliatory gesture toward the Soviet Union by sending his wife, Imelda, to Moscow in July 1983, in advance of negotiations to conclude a joint venture with the U.S.S.R. for the construction of a one-million-ton-a-year cement plant. (26)

As 1982 came to an end, President Marcos, despite economic difficulties and increasing opposition activity, remained clearly in charge in the Philippines. As the political scientist Robert Youngblood put in the Asian Survey.(27)

> Again in 1981 President Marcos demonstrated his virtuosity as a politician. He kept political opponents divided and at bay, engineering local and regional elections, soothed Saudi worries about the treatment of Filippino Muslems, and dazzled the Reagan Administration during the state visit... Clearly, Marcos can expect a sympathetic hearing in Washington in seeking additional economic aid and increased 'rent' for the U.S. bases, but he will still need all of his considerable political skills through the coming economic storm.

On June 1, 1983 the long-awaited United States-Philippines Agreement was finally signed, settling the question of Filippino jurisdiction at the bases and promising $500 million aid to the Philippines for the first five year period ending in 1984, and $900 million for the second five year period. When Congressional leaders in the House theatened to reject the increased aid, President Marcos promptly warned that such action might endanger the continuence of the American bases in the Philippines, and at the present time the Reagan Administration is anticipating receiving Congressional approval later this year.

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The relative calm in the Philippines was shattered by the decision of Senator Benigno Aquino to return to the Philippines, despite warnings from Mrs. Marcos, other Philippine officials, and from President Marcos himself, that there were death plots against him and that his safety could not be guaranteed. He returned on a Republic of China Airline's flight on the morning of August 21, 1983, and was promptly shot dead, according to the security forces, by a lone gunman with a past record of killings and connections to the New People's Army. Opponents of the government have said that it would have been difficult for the alleged assassin to have shot Aquino (who was flanked by two security officials) in the head from a distance, and as the gunman was immediately shot to death by the security forces, his evidence could not be taken.

The first investigating commission was made up of Marcos appointees and finally dissolved itself without conducting the investigation. As a result further rumors about such things as powder burns on the hands of security policemen have spread to give further support credence to the theory that Aquino was killed by the security forces on the orders of the President, Mrs. Marcos or someone high in the military. Counter theories suggest that the Communists had Aquino killed in order to embarrass Marcos, and it is certialy hard to believe that President Marcos had an interest in killing Aquino and making him a martyr in death. Aquino alive was a political challenger, dead he became a cause uniting all the opposition elements against Marcos, while providing Marcos' enemies with an opportunity to undermine the credibility of his government at home and in the United States, a situation that Marcos could never have wanted.

When in October 1964, the new Commission submitted its final report, the political fallout was considerable. The Commission's majority report accused General Ver and twenty-five of his accomplices of conspiracy to murder Senator Aquino. However, this occurred already after the elections of May 14, 1984 and the attention of the country was not completely focused upon the "martyrdom" of "Ninoy" as Aquino was nicknamed by his supporters. The trial of the officers and the General, who maintain their innocence, is still unfinished. The Philippine judicial system is not speedy and the defense is using all procedual rules at their disposal to draw out the verdict.

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However, whether found guilty or not, in the popular mind the complicity of the Army leadership (and perhaps Imelda Marcos) is undoubted.

The Aquino killing brought about many economic and political repercussions. The suspicion that the President might be ill and the assassination resulted from a power struggle in KLB has led to a resurgence of interest in politics. If the killing was not ordered by Marcos, now a likely conclusion, then the future of his presidency must be in doubt for other, probably health, reasons. A tremendous number of new political parties blossomed in 1983-84, aggravating the situation by splitting the opposition against the President into at least three groups: the legal opposition which finally participated in the relatively honest elections of May 14, 1984, the extralegal opposition which decided to boycott the elections as a fraud, and finally, and most ominously, the Philippine Communist Party and its military arm – the New People's Army which already provided a minute threat to the security of the Philippines and served as the excuse for President Marcos to keep certain features of martial law alive.

Economically, the Aquino murder negatively influenced an economic situation already burdened with several years of recession, falling commodity prices on the international market and the withdrawal of dollars by international investors and wealthy Philippinos who began to leave the country as the future loomed uncertain. In the words of Richard J. Kessler:(27)

> Aquino's murder drew international attention to its economic difficulties, and IMF officials called in to resolve these problems discovered that the government had been overestimating its international reserves. The result may have turned the Philippines from a simple debtor nation into a beggar nation, now more than ever dependent upon the kindness of strangers.

The year 1984 has become, therefore, a year of major political changes. These changes were the result of widespread oppositional political activity, coalescing only momentarily and partially as the internal opposition remained split along personal and patronage lines as well as ideologically. The focal point of disagreement anibg the opposition parties has been whether to participate in the legislative elections which were called by President Marcos. This time even the KLB has had its own

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difficulties as to internal cohesion and various factions could be easily identified before Marcos was asked to select the final candidates.

Yet, the elections were relatively free and fair. While vote fraud remained a feature in some areas, this represented a tradition going back to the pre-Marcos period rather than a concerted effort by the KLB to steal seats. The United States warnings and President Marcos' attempt to legitimize his rule by letting the opposition compete in a free election, both were influential in these "last chance for democracy" elections Senator Laurel emerged as the leader of the legal opposition, and his umbrella organization, UNIDO received 49 out of 59 deputies who were in opposition to President Marcos' KLB which still had 109 deputies in the Assembly.

The results of the elections did not settle the issue. The boycotting parties were not coopted into the system and the first order of business for the opposition was to try to strip the President of many of his emergency powers and concurrent legislative ability. The legal opposition had on its side also the Cardinal of Manila, H.E. Jaime Sin, who openly opposes the martial law regime.

The political process continues unabated. The President was first thinking in terms of early elections, to be in late 1985, but was persuaded, however, by his polling of public opinion through the *baranguays* that this would not be acceptable. Yet mayoral and gubernatorial elections will be held in 1986, a last chance for the legal opposition parties to establish an organizational base in the countrside. In order to win, however, the political opposition, now split between at least eleven movements, must coalesce and avoid fighting each other's candidates. The victory of the KLB in 1984 was due to the inability of opposition candidates to do so in a number of districts.

Whether President Marcos leaves or not in 1987, the political landscape of the Philippines has changed as a result of the events of 1983-85. Whether this will signal a return to the pre-Marcos era, which would not be an improvement on the present regime either politically or economically, or whether a strong opposition leader capable to take over the reins of government will appear, remains to be seen.

The United States has no choice but to work with the Marcos

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government. The reason for this stance is not a question whether the Reagan Administration likes or dislikes the Philippine President. It is simply that there is no viable alternative yet in the country to replace him and his overthrow would only strengthen, perhaps decisively, the Philippine Communist Party and its military arm, the NPA. This movement, a successor to the defeated Huk movement of the 1940s and 1950s, was founded in 1969 and remains a bothersome development in the Philippine body politic — however minute the danger it poses.

The NPA was originally restricted to Central Luzon and parts of Mindanao, but by 1985 it claimed to be operating in 57 of the 75 provinces, and having under arms 20,000 guerillas with 10,000 high-powered rifles, supported by some 20,000 mass activists. (28) The threat to public security does not come from the strength of the guerillas, although they do now move in battalion strength units. It is rather the sorry state of the Philippine Army which has not been streamlined and modernized. Between wrong tactics, old equipment, and unenergetic officers, the army can just about hold its own, without being able to prevent the growth of the guerilla movement which by now makes common cause with the Moro Liberation Front of the Moslems. While the boast of the leader ot the NPA that he will take over in five to ten years rings hollow, the danger of Communist growth is everpresent and can only be contained by a reasonable functioning of the body politic and the economy, Until now, such preconditions are still not present.

Of more ominous importance to U.S. interests is the general tenor of the opposition politicians, who talk about closing down the U.S. bases and of evicting the agents of American imperialism. While some of this is said more to please their followers than as a reflection of their private opinions, they are playing with the fire of anti-Americanism. When the United States pressed for reforms in the spring of 1985, and Congress threatened to reduce military aid, even President Marcos joined the chorus by warning that his military cooperation with Washington should not be taken for granted. And Senator Laurel tries to avoid at any cost to appear to be Washington's boy in the Philippines.

The Administration kept a cool head at that time, and con-

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tinued to cooperate with President Marcos economically and militarily without condoning some of the excesses of his government. Whether this "constructive engagement" will be victorious in the long run, remains to be seen. In the short run, it strengthens Philippine democracy and encourages the blossoming of free and representative parties and movements. The jury is still out, however, on President Marcos and the KLB in the Philippines, as well as on American policies in Washington.

(1) *Area Handbook on the Philippines* (Washington, D.C.: American University Press, 1956), p. 68.
(2) Ibid., p. 71.
(3) *Handbook on the Philippines,* op. cit., p. 211.
(4) Ibid., Chapter VII.
(5) *Handbook on the Philippines,* op. cit., p. 214.
(6) Ibid., p. 218.
(7) *Handbook on the Philippines,* op. cit., pp. 219-20.
(8) *Handbook on the Philippines,* op. cit., p. 239.
(9) Ibid.
(10) *Handbook on the Philippines,* op. cit., p. 240.
(11) Kit G. Machado, "The Philippines 1978: Authoritarian Consolidation Continues," *Asian Survey* (February 1977), pp. 133-35.
(12) Ibid.
(13) Neher, op. cit., pp. 262-63.
(14) Neher, op. cit., pp. 264-65.
(15) *Newsweek,* September 12, 1980.
(16) Neher, op. cit., p. 270.
(17) Robert L. Youngblood, "The Philippines 1981: From "New Society" to "New Republic," *Asian Survey* XII (1) (February 1982), p. 225.
(18) Youngblood, op. cit., p. 228.
(19) *Far Eastern Economic Review,* (February 20, 1982), p. 9.
(20) Youngblood, op. cit., p. 232.
(21) Robert L. Youngblood, "The Philippines in 1982: Marcos Gets Tough With Domestic Critics," *Asian Survey,* (February 1983), p. 208.
(22) Youngblood, op. cit., p. 211.
(23) Ibid.
(24) Youngblood, op. cit., p. 212.
(25) Ibid., p. 214.
(26) Ibid.
(27) Richard J. Kessler, "Politics, Philippine Style, Circa 1984," Asian Survey (December) 1984, p. 1210.;
(28) Asian Research Bulletin (February 25) 1985, p. 1253;
(27) Richard J. Kessler, "Politics, Philippine Style, Circa 1984," *Asian Survey* (December) 1984, p. 1210.
(28) *Asian Research Bulletin* (February 25) 1985, p. 1253

This article has been adapted from a chapter in Dr. Szaz's book entitled *Southeast Asia*, which surveys economic and political conditions throughout that area (Council for Social & Economic Studies, Suite C-2, 1133 13th Street N.W., Washington D.C. 20005. Price $15.00).

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THE U.S. IMMIGRATION CRISIS

By G. Palmer Stacy III and Wayne Lutton

The "Population Explosion" is no longer a futuristic concept belonging in a science fiction novel. It is taking place before our very eyes. A Georgetown University study warns that "Endemic poverty, historically unprecedented levels of unemployment, and related political and social unrest are emerging as major world forces, with massive international migration a prominent result."

It took from man's first appearance on earth until about the year 1850 for the world's population to reach one billion. The total number of people in the world reached two billion in 1930. The three billion mark was reached in 1960; the fourth billion was added by 1975. The world's population is now estimated at more than 4.6 billion. World overpopulation is real and steadily growing worse.

The United Nations Fund for Population Activities optimistically estimated in 1981 that world population would level off at 10½ billion by the year 2110 A.D. Remember that there are "only" 4.6 billion people today. Where will another six billion people go?

Life in the poor nations of the world will grow ever more miserable as this century comes to a close. Overcrowding, shortages of food and water, lack of jobs, political turmoil and other problems resulting from overpopulation will lead hundreds of millions to consider migration to the relatively more prosperous countries. Since the successful nations of Asia, such as Japan, Taiwan and Singapore, rigidly restrict immigration, this means that Western Europe, the United States and Canada will be the target.

The External Pressures on the U.S. Border

A Kettering Foundation poll taken in the early 1970s found that one third of the people in Latin America wanted to leave their native lands and that 90 percent of those who wanted to migrate wished to come to the United States. The population of Latin America in the year 2000, less than 15 years away, will

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be 595 million according to projections made by the Population Reference Bureau.

Mexico's population is increasing at a phenomenal rate, with families of 7 or 8 children common. In 1960, Mexico had 34 million people, and by 1980 the population had more than doubled to 72 million. By the year 2000, Mexico's population is expected to mushroom to 129 million. The pattern is similar in Central America, where the population is doubling every generation.

In the past, the surplus rural population of Mexico and Central America could find some work in their own cities. Today the cities of this region are already badly overcrowded. Unemployment and underemployment (work for less than half the year) is running at a rate of at least 50 percent in Mexico, and is near that figure throughout Central America, with Communist insurgency exacerbating already desperate economic conditions. Even if the Communists are defeated in El Salvador and Guatemala, and the Sandinista regime overthrown in Nicaragua, the economies of these countries will remain weak, due in large measure to the high levels of population growth. These conditions will inevitably lead millions and more millions of Mexicans and Central Americans to try to enter the United States.

Until very recently, Central America has not been a major source of migrants to the United States. Less than 100,000 legal immigrants arrived in the U.S. from Central America during the decade of the 1960s, and approximately 111,400 arrived in 1971-1979. But illegal immigration from that area has been rising steadily. Today, in a single district of Los Angeles, there are an estimated 200,000 plus Salvadorans alone. Nicaraguans, Guatemalans and others are joining the flood of Mexicans in a great migration to the United States. The politicians and religious leaders in Mexico and Central America are only too glad to siphon off their excess population, rather than come to grips with problems that are of their own making.

In Africa, the continent with the highest population growth rate in human history, the impact of overpopulation is already being felt. Food production per person fell 14 percent during the 1970s. Some of the shortfall is made up by food imported (often donated) from the United States and Canada, Australia and other advanced countries. But population growth in many

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developing countries is so rapid, and local conditions politically so impossible, that agricultural production in many areas is falling hopelessly behind the production of people. Pressure is mounting for these people to either starve or try to flee to the "land of plenty" – to the United States.

Can these gloomy consequences of overpopulation, misery and starvation be prevented by a reduction in the birth rate of Third World countries? Sad to say, the reduction in birth rates needed to avoid disaster would have to be far greater and faster than anything likely to take place. High fertility rates in recent decades have produced very youthful populations in the Third World. Even if the average number of births per woman drops dramatically, the number of women of childbearing age will continue to grow for decades, leading to a continuing rapid increase in population. The relative youth of the populations of the Third World is illustrated by the fact that 23 percent of the population of Canada, the United States and Europe is under the age of 15, while 40 percent of the population of Latin America is under that age.

Can the United States solve the world overpopulation problem by taking in much of the excess population of the Third World? Some say we should try. But the population of the Third World will grow by at least two billion over the next 25 years. Can the United States – a nation of 235 million – take in so many people? Can the few relatively prosperous countries of the Western world, which have already transferred so much of their wealth in aid, survive unless they somehow, at some time, succeed in restricting the inflow? The answer would seem to be in the negative, given the ongoing and cumulative nature of the Third World population explosion. In the words of Governor D. Lamm of Colorado: "the economy of the United States can never keep up with the fertility pressure outside of the United States."

The Impact upon the U.S.

Lowering our horizon from the specter of future immigration pressures upon the U.S. borders, let us look at the impact of the present level of immigration, and especially of illegal immigration, on the U.S. No figures of the total number of illegal immigrants in the U.S. today are available, but reliable estimates range between seven to twelve mil-

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lion, and illegal Third World immigrants continue to cross the U.S. borders at a seemingly increasing rate as every year goes by. At the same time, the United States has been plagued with high unemployment. At the end of 1984, the official national unemployment rate was over 7 percent. When "discouraged workers" (those who have practically given up trying to find gainful employment, but who want to work) are added, overall unemployment – and underemployment – is much higher, totaling almost 15 percent. Yet, during the 1970s, two million new jobs were created each year. Why then has the unemployment rate remained at historically high levels for so long? It turns out that half of the new jobs created in the past decade have been taken by aliens, both legal and illegal.

In April 1982, the INS conducted "Operation Jobs," a major effort that arrested thousands of illegal aliens on the job. Eighty-two plants in nine metropolitan areas were raided. In the Chicago area, for example, illegals were discovered holding jobs that paid from $4.82 to more than $10 an hour. Aliens arrested at a Chicago construction site were earning $16.78 an hour. Illegal aliens in Denver were found working on jobs paying over $12 an hour. The average hourly wage paid apprehended illegals in San Francisco was $5.19. "Operation Jobs" opened up excellent work positions for unemployed American citizens and gave proof of the impact of illegal immigration on employment.

Studies of the employment of illegal aliens in Houston, conducted by Rice University economist Donald Huddle, found that one-third of the workers in commercial construction in that city are illegal aliens, earning from $4.00 to $9.50 an hour – or up to $20,000 annually. Dr. Huddle observed that "These wages debunk the commonly held notion that illegal aliens are taking only those jobs that American workers don't want because they are so lowly paid." Huddle added that these findings "imply that some American workers are being displaced, particularly Houston youths and minority youths, who, even in boomtown Houston, show jobless rates often exceeding 20 percent....The social and economic implications of the penetration of the economy by undocumented workers is dramatic. If the same proportions of illegal work participation are projected onto city, state and national construction programs alone, we find that all male youths and minority

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youths, aged 16-24, could, in principle, have been removed from the rolls of the unemployed...and that adds up to more than one million U.S. workers who have been displaced." Huddle conservatively estimates "a payroll in construction going to illegals of more than $7 billion per year, nationally."

And last year Rep. Fortney Stark (D-California) discovered that over the last decade, the Social Security Administration issued "non-work" Social Security cards to some 1.2 million alien visitors who knew the cards could not be legally used to secure employment. The cards were issued so that the aliens, many of them tourists and students, could make investments, open bank accounts and pursue other activities for which such identification is required. However, wages for work have been reported on nearly half of these cards.

"In other words," Stark noted, "over 545,000 aliens have taken jobs that should have gone to American workers."

Stark also learned that the Social Security Administration provides an annual list of names, addresses and employers of aliens who are illegally working to the INS. The INS has not been able to use this "gold mine of data on alien lawbreakers," Stark explained, because it lacks manpower and other resources needed to cope with the situation.

Professor Donald Huddle has been studying the involvement of illegal aliens in the U.S. economy for years. His research led him to conclude that illegal aliens displace American workers at a ratio of 10 to 6.5. In other words, on average, 100 working illegal aliens will displace 65 citizens in the workforce.

Ray Marshall, a former Secretary of Labor and now Professor of Economics and Public Affairs at the University of Texas, has been arguing for years that the continuing immigration of illegal aliens from Third World nations makes it virtually impossible to bring down American unemployment rates to low levels. In 1980, while he was Secretary of Labor, Marshall estimated that if all illegal aliens were removed from the workforce, the national unemployment rate would drop to 4 percent.

'Free Trade' Arguments Favoring Open Border Policy

There are a number of reasons why many employers like to hire illegal aliens. Illegal aliens are docile, since they work in fear of detection. They regularly accept working conditions that are unsafe and are often not covered by accident insur-

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ance. Even when illegal alien workers are paid more than the minimum wage, as they often are, employers like to hire illegals because they can keep them "off the books" and avoid withholding income taxes, Social Security contributions, unemployment insurance and workman's compensation. Illegals often work more than 40 hours a week, but rarely receive overtime pay, another saving to employers.

It is not unheard-of for a factory owner-manager to lay off his American workers, cut wages and hire a new workforce of illegal aliens. Businesses that use a lot of alien labor have a competitive edge over firms that employ Americans at higher wages. Construction firms reported to one of the authors that they were being underbid for project proposals by other companies employing illegals. It is now a common practice for employers to ask their illegal employees to call for their friends (also illegals) when additional workers are needed. Studies by Professor Huddle and others have discovered that many job openings are never reported to state employment services or advertized in local newspapers, as they are instead circulated by word of mouth through the illegal alien underworld.

The *Christian Science Monitor* (December 19, 1984) reported on a number of companies that purposely hire illegals."Callers who respond to the ad, in English are turned away, but those who speak Spanish are told to come straight to the plant." According to the California Department of Industrial Relations, 81 percent of the 115,000 garment workers and 75 percent of the nearly 200,000 restaurant workers in Los Angeles County are illegal aliens. *The Washington Post* (January 5, 1985), reported that about half the workers in Washington, D.C., restaurants are Hispanics.

Defenders of liberal immigration policies often claim that the flood of aliens, legal and illegal, are creating new jobs for Americans. This is seldom the case because aliens with their own businesses prefer to hire other aliens. What is happening is that alien enclaves are being built in metropolitan areas across the United States. These areas act as magnets for more aliens. Local retail and service jobs are then filled by aliens to the exclusion of American citizens. *The Washington Post* carried a story last year about Korean-born Suk Lim, who operates the J & L Sportswear Company in Alexandria, Virginia. Lim opened his business five years ago and has only Asian-born seamstresses

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working for him, "none of whom speaks English," according to the newspaper.

The True Cost of Uncontrolled Immigration

Contrary to the oft-expressed view, alien labor does not come cheaply to the country at large. Aliens are displacing Americans in the workforce. Each unemployed American receives an average of $7,000 per year in unemployment and welfare benefits. Professor Huddle has pointed out that benefits paid to displaced American workers are costing taxpayers $25 to $30 billion annually. And it is impossible to place a price tag on the damage done to individuals and families affected by protracted unemployment.

At the present time, U.S. employers can legally hire illegal immigrants and no law prevents illegals from taking jobs in the U.S.A. Congress created this loophole in 1952 to satisfy business interests. It is a felony for an ordinary citizen to smuggle in or harbor an illegal alien. But, thanks to this congressional loophole, businessmen are free to hire illegal aliens — even when they know the alien is in the U.S. in violation of U.S. laws.

If caught on the job, aliens may be officially deported or, more often, permitted to leave "voluntarily," and thereby avoid the creation of a criminal record that might be used to bar the alien's future legal entry. Employers who make a practice of hiring illegals, and who lose workers through deportation, simply turn around and hire more of them. Indeed, they frequently put pressure on local law enforcement officials and politicians to discourage strict enforcement of immigration and labor standards statutes.

The Drain on Social Security

Defenders of liberal immigration policies often claim that aliens rarely use social services and actually contribute more in taxes than they receive in benefits. However, recent evidence indicates that illegal aliens are making heavy and increasing use of tax supported services, often at higher rates than citizens.

The additional costs to American society caused by illegal alien immigrants are especially evident in the areas of health, unemployment and educational services. For example:

- Nearly 80% of the infants born at the hospital nur-

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sery of the Los Angeles County-University of Southern California Medical Center are born to mothers who are illegal aliens.

- Los Angeles County's Health Services Department, with six public hospitals serving seven million residents, estimates that the annual cost of caring for the county's large population of illegal aliens is at least $150 million. The department reported in 1983 that illegal aliens represented 22.9% of the total patients and accounted for 64% of the births at county hospitals.
- In 1983 the Arizona Hospital Association estimated that health care provided to illegal aliens in that state amounted to $4.4 million, with the cost rising annually.
- Nearly 10 percent of the population of El Salvador now lives in California. According to a State Department study, in Los Angeles, alone, Salvadoran residents are costing U.S. taxpayers at least $875 million a year. Los Angeles school board member, Larry Gonzales, reported that "the impact of the Salvadoran children on our public schools has been tremendous."
- In the state of Florida, following the massive influx of Cubans and Haitians, the state government has had to spend over $500 million annually to meet the welfare demands of these aliens.
- Illegal aliens in the state of Illinois have been taking millions of dollars in unemployment benefits to which they are not entitled. Spot checks conducted by order of Illinois Attorney General Tyrone Fahner revealed that 45% of the aliens who applied for jobless benefits were illegals.
- A check of 370 illegal aliens caught in New York revealed that just these 370 illegal immigrants alone had received more than $500,000 in welfare payments.
- A pilot project, launched in Wisconsin in early 1985, identified 13 illegal aliens claiming welfare or unemployment benefits within the first few weeks, saving state taxpayers $34,000. Officials estimate that 10,000 illegals live in Wisconsin, and the program was designed to lighten the burden of illegal immigrant welfare claims.
- In Arlington County, Virginia, 26% of the students speak 40 different languages and nearly $2 million a year is

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required to run special English programs in the public schools. PTA meetings are divided into small groups conducted in Spanish, Cambodian, Laotian, Vietnamese or Arabic. And Third World hostilities have been imported to Virginia, forcing school officials to spend more on security to quell the outbreaks of violence between various ethnic groups.

The Growing Political Power of Illegal Immigrant Communities

Aliens are becoming so powerful in some parts of the United States that they are successfully pressuring local and state government agencies not to enforce laws prohibiting the giving of welfare to illegal aliens, and are further demanding that such agencies not cooperate with the Federal government. This problem is especially acute in the state of California, dubbed by *Time* magazine as the U.S.'s first "Third World" state. As just one example, in May 1984, city officials and police in San Jose declared that they would refuse to help federal immigration officials in their sweeps for illegally employed aliens. San Jose officials protested that such raids, which have opened jobs to American citizens, are "discriminatory, inhumane and callous."

In late December 1983, the State of California's Employment Development Department implemented directives intended to make it tougher for illegal aliens to get unemployment insurance. The new directives required non-citizen applicants to provide documentation that they were legally entitled to work before they could receive welfare payments. These new screening procedures were quickly met with lawsuits by the United Farm Workers Union and California Rural Legal Assistance. By February 1984. Governor George Deukmejian agreed to rescind the proof-of-eligibility requirements, thus permitting illegals to draw unemployment benefits.

In November 1983, the Los Angeles County Department of Public and Social Services began implementing federal regulations requiring the reporting of illegal aliens to INS. This provoked loud protests on the part of Hispanic leaders, and "immigrant rights" legal activists, such as the Legal Aid Foundation of Los Angeles and the Mexican American Legal Defense and Educational Fund (MALDEF). Bowing to pressure from the Hispanic lobbyists, the county issued an administrative directive placing a moratorium on identifying and reporting illegals to the INS.

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What has been taking place in California is now spreading to other sections of the country. On March 5, 1985, the City of Madison, Wisconsin, barred its employees, including the police, from cooperating with federal immigration authorities. Two days later, Chicago Mayor Harold Washington signed an executive order ending the city's practice of asking job and license applicants about their citizenship and halting cooperation by officials with federal immigration authorities. On April 8, the Cambridge, Massachusetts, city council voted to declare the city a "sanctuary" for Latin American "refugees" and to cease cooperation with the INS. In addition, Cambridge extended educational and health services to illegals.

Instead of enforcing immigration laws, the judiciary has often stepped in to extend welfare eligibility to illegal aliens. In September 1984, the Arizona State Supreme Court ruled that counties should reimburse hospitals for treating "resident [*sic*] illegal aliens." Justice Stanley G. Feldman, writing for the majority, posed the curious claim that illegal aliens can establish residency in Arizona by living in a county permanently without intending to seek a permanent home elsewhere. Thus, as county residents, they are entitled to health and other welfare benefits.

Although alien advocates claim that most immigrants only come here to work, and this is undoubtedly true of some, many who have dealt with recent immigrants dispute this claim. Sister Ann Wisda, who has worked closely with thousands of Third World "refugees" sponsored by the Catholic Church in Oklahoma, told the *Lawton* (Oklahoma) *Constitution*, "Ninety percent of those who have arrived after the middle of 1978 have no intention of obtaining a job until they are forced to do so. The welfare mind has taken control of them and all they want to do is sponge off the American people."

U.S. Public Opinion Reacts

Public opinion polls now show that an overwhelming majority of American citizens believe that a concerted effort should be made to stop illegal immigration. On December 6, 1984, Dr. George Gallup released previously unpublished Gallup Poll data which "show the American public takes a hard line toward illegal aliens, with 75 percent favoring...a law that would make it illegal to employ a person who has entered the United States without proper papers."

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The Gallup poll found that "the public also strongly supports a proposal requiring all U.S. citizens and permanent resident aliens to carry an identification card." This would make it possible for prospective employers to distinguish illegal aliens from legal job seekers. The latest surveys also indicated majority opposition to amnesty for illegal aliens. The Gallup Poll results are similar to those of other polls conducted by such organizations as the Roper Poll, ABC News, *U.S. News & World Report, The Washington Post* and *Newsweek* magazine. As Burns Roper commented, "It is rare on any poll question to find such a lopsided result."

Polls further indicate that Americans favor reducing the number of legal immigrants admitted every year. While most wish to continue to admit some immigrants, these might be from among the most talented segments of their respective societies, not the unskilled, marginally employable, as is the case with so many of the immigrants allowed into the United States today. Professor Garrett Hardin suggests that we limit new citizens to those who are truly talented and who can enrich the U.S., where the top limit might be 10,000 legal admissions per year. Others who have studied the impact of immigration on our population recommend that the number of new immigrants be equal to the number of Americans who emigrate each year. This would amount to around 100,000 per annum. It has also been suggested that the U.S. suspend all immigration for a period of three years in order to allow the INS time to concentrate all its efforts on stopping illegal immigration, and then draw up legal immigration ceilings that will meet U.S. needs. In any event, whatever the final figure for legal immigration, sharply reducing the number of aliens that were permitted to remain in the U.S. would bring the United States into line with policies considered acceptable by many other nations.

Writing in *National Geographic*, Griffin Smith, Jr. stated: [The border] is easy to slip across; last year as many as three million may have done so." There is a strong consensus that the U.S. administration must make it much harder to slip across the border and harder to find a job — or get on welfare — for those who do get in. The problem is how to achieve these goals.

Effective Immigration Control Measures

Last spring, the American Immigration Control Foundation

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conducted a poll among veteran immigration officers and officials, both active and retired. They were invited to present their views on what steps should be taken to deal with the immigration problem. These men and women have hundreds of years of accumulated experience. Almost without exception they opposed amnesty for illegal aliens already here, supported the idea of effective employer sanctions, and called for additional manpower to help cope with the large number of immigrants, both legal and illegal.

In 1983 there were on duty an average of approximately 2,400 Border Patrolmen, 1,355 Inspectors and 760 Investigators. This is a fraction of the number of police officers protecting Chicago or New York City. In 1985, at any given hour, only 500 Border Patrol agents guard the entire 2,000-mile U.S. land border with Mexico. Despite these sparse numbers, the INS apprehends well over a million illegal aliens every year. Recently the number of illegal aliens apprehended increased 32 percent even though the number of authorized INS positions decreased by 400. In the wake of the public outcry over illegal immigration and immigrant-related problems that could not be ignored, the Reagan Administration in 1984 did propose increased staffing for the INS, but the measures were inadequate.

How much would this increase in Border Patrol strength cost? A rough estimate is less than $150 million per annum. This is a very modest expense by government standards, especially when one considers that each million unemployed Americans cost taxpayers $7 billion in unemployment and other related benefits every year.

To apprehend the illegals already in the U.S., those who might still get by even a reinforced Border Patrol service, and visa abusers who overstay their visas, more INS Criminal Investigators would be needed. The cost of tripling the number of these officers, along with equipment and support staff, would be under $40 million.

One way of paying for these new costs would be to impose the most modest of charges on aliens legally entering the country (both immigrants and non-immigrants). This could easily raise $200 million each year to defray the cost of efficient enforcement of immigration laws. Whether or not Congress decides to increase entry charges to foreigners, every dollar spent for effective enforcement of the immigration laws would

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be repaid a hundredfold in terms of reduced payments to unemployed American citizens, welfare benefits illegally obtained by unauthorized aliens, and other such costs.

The Problem of "Citizen Children" – and Their Families

Another technique by which immigration laws are constantly circumvented on a major scale is for the expectant alien mother simply to plan to be in the U.S. for the birth of her baby. The number of "citizen children" born to alien visitors in U.S. border towns now runs as high as 20,000 per year. Tens of thousands of additional "citizen children" are born annually to alien mothers residing illegally in the United States.

"Citizen children" have legal access to nearly all U.S. welfare programs, such as food stamps and AFDC payments, as well as special programs for minorities, despite the fact that their parents are in this country illegally. On reaching the age of 21, the "citizen child" acquires the same immigration benefits as a naturalized citizen, *including the right to bring in his parents, spouse and children from the mother country, with no wait or visa limits.*

Such benefits help explain why the immigration of no-limit immediate relatives has risen steadily from 114,000 in 1976 to 143,000 in 1979 to over 155,000 in 1982.

Few other nations consider the children of illegal aliens to be citizens. In the U.S., this concept grew out of the Fourteenth Amendment to the Constitution, ratified in 1868, when the Reconstruction Congress was trying to protect newly emancipated slaves, not immigrants, from "Black Codes" in the states of the former Confederacy:

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States, and the State wherein they reside. (Amendment XIV. Section 1.)

Congress could pass legislation denying automatic citizenship for children born of alien parents temporarily or illegally in the United States. In any event, children born in the U.S. to illegal aliens need not have the right to bring in relatives.

Visa Fraud

Another abuse discussed previously is visa fraud. Thousands of aliens legally enter with valid visas and then stay beyond the

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expiration date or work without authorization. No one knows their exact number, though such cases have been estimated to run into the hundreds of thousands annually.

To help curtail visa abuse, Edwin Harwood, a visiting scholar at the Hoover Institution, recommends that an "abuser fee" be charged to incoming aliens. Writing in the *Wall Street Journal* of June 5, 1984, Harwood explained how such a system would work:

> Overseas aliens would post a bond collected by the airline [or ship company] at the time the alien purchases his ticket. The airlines [or other carriers] would handle the processing in exchange for the interest-free use of the money until its refund. If the alien is caught working or fails to return by the expiration date, the bond would be forfeited to the government.

Critics have suggested that the so-called "Sanctuary Movement" should be prosecuted vigorously for openly thwarting the U.S. immigration laws and endangering U.S. national security. Since the spring of 1982, the Sanctuary Movement has operated an "Underground Railroad," sponsored by a number of major American church organizations. Most of the aliens they have helped smuggle into the U.S. have come from El Salvador, Nicaragua and other Central American countries. It is of interest that many leaders of this movement regularly attack policies intended to deal with Communist insurgency in that volatile part of the Western Hemisphere.

The Immigration and Nationality Act, Section 274, makes it a felony to wilfully or knowingly encourage the entry of an illegal alien, or to transport, conceal, harbor or shield from detection an illegal entrant. Those guilty of such acts may be fined up to $2,000 or be imprisoned for up to five years for each alien involved. Tax-exempt status could be denied to an church or organization involved in the movement and to U.S. citizens who participate in such illegal activities, but no steps have yet been taken in that direction.

Employer Sanctions

Another essential element in an effective campaign to halt illegal immigration is employer sanctions. At present it is not illegal in the U.S. to knowingly hire an illegal alien. Although opinion polls taken on this issue indicate strong public support

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for such action, special interests have prevailed in Congress and prevented enactment of any such reform for more than a decade. Opponents of such legislation, representing potential employers of cheap labor as well as the growing illegal community itself, argue that employer sanctions would place "another layer of government" on the backs of already burdened businessmen.

Interesingly, opinion polls conducted among *legal* Hispanic-American citizens (though not their largely self-appointed leaders) show consistently strong support for employer sanctions, just as do surveys of black and white Americans. This is because Hispanic-American citizens know that illegals take jobs that would otherwise go to citizens, and that the many problems caused by illegals threaten to cast suspicion on the Hispanic community as a whole.

Contrary to the fears expressed by some conservatives and spokesmen for the business community, employer sanctions would not inconvenience anyone but the illegal aliens and the businessmen who hire them. Nor would such laws discriminate against Hispanics.

What has been recommended is that a new counterfeit-proof Social Security card be issued to each citizen and legal resident alien permitted to work here. Upon applying for a new job, the prospective employee would present this card to the employer, who would then call an 800 telephone number to verify that this card belongs to this individual. Americans already carry a number of identification cards – such as driver's licenses, credit and bank cards. The 800 number system is already working well to help curb credit card abuse. And this is done with little inconvenience to the businessmen or cardholder. While it is true that no card system is absolutely tamper proof, the microchip technology of today makes it possible to minimize the potential for counterfeiting.

Employers who intentially violate the law would be faced with heavy finds and imprisonment for repeat offenders. The Reagan Administration has proposed civil, not criminal penalties from $500 to $1,000 for businessmen knowingly hiring illegals. A $500 civil penalty is too small to be a proper deterent. These fines would be considered just another cost of doing business. But if the employer and the personnel manager or job foreman faced being labeled as criminals, with the prospect of

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going to federal prison, very few illegal aliens would be hired.

Could honest businessmen accidentally violate such a law? No. As long as the employer verified the Social Security card via the 800 number, he could not be charged with knowingly hiring an illegal alien. The government would have to prove that the businessman *knew* the employee was illegal when he was hired.

Some legislators have proposed that employers merely check two existing identification documents presented by potential employees. If they did that and kept a record, they could not be prosecuted, even if it later turned out that the documents were fraudulent and the employee an illegal alien. This proposal has been rightly criticized as ineffectual because of the large number of fraudulent identification documents available to illegals, and the difficulty of verifying the authenticity of documents currently in use without some method of easy access to INS records for verification. However, this system might be used for a year, while a more fraud-resistent system was phased in.

Refugees – and "Refugees"

Reform is also called for in the treatment of so-called "refugees." The U.S. experience with the Haitians who began landing in South Florida in 1980 and 1981 illustrates the problem. Although the State Department and the INS discovered, after careful investigation, that almost all of the Haitians were "economic refugees," not genuine political refugees, professional immigration lawyers have been able to prevent the deportation of these "invaders" by requesting asylum hearings in the liberal federal courts. Such cases can drag on for years (at great expense to the U.S. taxpayers) and, in the meantime, the aliens often simply disappear into the metropolitan areas.

A streamlined hearing and appeal procedure is needed and has been proposed by the Reagan Administration. In 1984, the U.S. Supreme Court ruled in an alien deportation case that aliens seeking to avoid deportation must prove "a clear probability" of persecution before asylum can be granted.

'Guestworkers' and the European Experience

Agribusiness interests have suggested that a temporary

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foreign worker ("guestworker") program might satisfy U.S. labor needs and reduce illegal immigration. Given the still high unemployment rate and the large numbers of Americans on welfare, it is doubtful whether the U.S. really needs many more unskilled workers. Recent economic studies indicate that an over-generous welfare system discourages many people from obtaining useful employment. After all, who did these jobs twenty years ago? The whole idea that aliens are needed to do the dirty work is refuted by the case of Japan, which has almost no immigration, and has all these needed tasks performed by its own citizens. Indeed, Japan's lack of immigration has promoted incredible productivity within a stable workforce.

During the economically active period of the 1960s, several European countries instituted "guestworker" programs. These have since backfired, resulting in the creation of serious social, economic and political problems. Once they have gained admission to a country with generous welfare benefits, "guests" seldom want to leave when the need for their services ends. The French and German governments have offered handsome bonuses to guestworkers to induce them to leave voluntarily, but due to their preference for the pleasant European environment, most of the aliens have been reluctant to accept the "leave" payments. France is burdened with North Africans and West Germany is flooded with large numbers of Turks who came to that country. Apart from the generous welfare systems that make the European countries so attractive, many prefer to stay because of political turbulence in their own countries, but too often themselves become politically turbulent in their country of adoption, as Great Britain has discovered.

France, Germany and Great Britain are also troubled with stagnating economies. A huge percentage of British teenagers are unemployed – the figure exceeding 25% in some areas – and the presence of millions of newcomers from the former British empire territories may be largely blamed for this, to the extent that their numbers exceed the unemployment totals. In past years, British governments, both Labour and Conservative, saw immigrants as a cheap source of labor for the inefficient industries nationalized after World War II. Now most major British cities have crime-infested Third World neighborhoods, welfare abuse and widespread job displacement of native

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Britons. As in France, there have been increasing calls for programs to deport unwanted aliens, but European experience has shown that once people are in a country, it is very difficult to get them out – short of using force, as many African and Asian countries have done.

Can the U.S. and European economies, ailing as they are from competition from the Far East and high taxation – the latter partly occasioned by massive transfers of wealth to the Third World – keep up with the Third World population explosion? Or will the Western economies collapse in the absence of effective immigration controls, as the burgeoning surplus of bodies from the Third World seeks refuge within the formerly wealthy, now struggling, countries of the West? The answer may become clear sooner than we expect. One fact nobody doubts, and that is that Third World population pressures will continue to exacerbate the Third World economies, and the drive to migrate will be heightened, not reduced, within the years ahead.

This subject has been treated in far greater depth by the authors in their 1985 booklet entitled *The Immigration Time Bomb* (Published by AICS, P.O. Box 11839, Alexandria, Virginia, Price $3.00)

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THE INTEGRITY OF THE U.S. ELECTORAL SYSTEM

By William M. Thomas, M.C.

One of the most common complaints of opposition parties in Third World countries is that of election fraud by the incumbent government. Unfortunately electorial manipulation can also occur here in the United States. On November 6, 1984, the people of southwestern Indiana went to the polls. From the rich farmlands along the Wabash river, from the hills around the Monroe Reservoir, from picturesque small towns to the bustling river-front city of Evansville, they came to cast their votes.

Most voted in person. Others, too ill or away from home, voted by mailing in their ballots. Like millions of Americans around the nation, they took the time to ensure that the government of their country remained, as Abraham Lincoln put it more than 100 years ago, "of the people, by the people, and for the people." Perhaps the most exciting race in the region, the one in which every vote was going to be of critical importance, was the 8th Congressional contest between incumbent Frank McCloskey and energetic young challenger Richard McIntyre. By election day both candidates had waged vigorous, tough campaigns. Now the people would decide.

In one of the more shocking episodes in American political history, the people of Indiana's Eighth Congressional District were left without a Congressman for four months, while the majority party in the House of Representatives manipulated the rules of the ballot count in total disregard of state law. As the sole Republican member of the election committee task force appointed by Congress to re-examine the election, I personally observed the way in which the will of the voters can be negated, even in the U.S.A. In the case of the 8th Congressional District of Indiana, I am afraid that the candidate elected by the people, and certified as the winner by the State of Indiana, was replaced by a cleverly designed process carried out unilaterally by the majority party in the U.S. House of Representatives in Washington, D.C. The majority in the U.S. Congress acted in defiance of the plain words of the United States Constitution, which says that congressional elections are conducted by the states according to the laws of each state. The federal government may regulate elections if it chooses to do so, but only by law. A majority

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in one House acting alone cannot make law.

The majority party in the House of Representatives has thrown down the gauntlet before the American people. The House majority has said in effect, "The Constitution be damned – we're putting our guy in." If nothing is done, it will happen again. It can and will happen again in any district in America. And it is a threat to the rights of Americans to vote and to have their votes counted. As Boss Tweed of New York City once said, "What are you going to do about it if I count the votes?"

If alert citizens are going to stop the abuse of power by our elected Representatives in Washington, they must know the facts. Here's what happened.

On election day, November 6, 1984 over 232,000 voters in Indiana's Eighth district went to the polls, voting, they thought, to choose their next Congressman. Based on election night returns, Indiana's Secretary of State, as required by state law, certified the winners in each of Indiana's ten districts, including in the eighth district, Rick McIntyre.

But the McIntyre election was very close, 34 votes, and a recount was ordered. So, according to recount procedures under Indiana law, the election boards of the District's 15 Counties re-examined ballots cast throughout the District.

Observers from both sides carefully watched the counting process, taking note of every questionable ballot. In most counties, Indiana state election law was followed to the letter. Ballots which met the requirements of the law were counted, and those which failed to meet the test were not counted. The result of the recount was a final 418 vote margin of victory for Richard McIntyre, a slight increase from his election night margin. Despite the fact that McCloskey's party controlled election boards in nine of the 15 Counties, McCloskey was not able to gain but actually lost votes in the recount. But McCloskey's supporters lodged objections to Indiana's election laws and took their appeal to Washington, D.C. – through their friends in the House of Representatives.

Under Indiana law, all ballots must have the signatures of both a Democratic and a Republican election official. This ensures that neither side "stuffs" the ballot box with ghost ballots. McCloskey supporters, who at first wanted these laws strictly enforced, quickly changed their minds when they discovered that throwing out such illegal ballots hurt rather than

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helped their candidate's vote.

The State of Indiana continued to maintain that under its laws in effect on November 6, 1984, Richard McIntyre had been elected to Congress by the voters of the Eighth District. And the Constitution, so everybody thought, gave states the power to regulate Congressional elections.

But back in Washington, Speaker of the House Tip O'Neill and his ambitious lieutenant, Tony Coelho, were trying to figure out a way to help their friend Frank McCloskey. On January 3, the day appointed for swearing in new members of Congress, Congressman-elect Richard McIntyre was told under a little-used rule of the House to "stand aside" while the rest of the members of the House took the oath of office.

Then, in an unprecedented act, the majority party voted to allow neither McIntyre nor McCloskey to be seated, but to pay both their full salaries (with taxpayers money) until a House of Representatives Committee could "recount" the Indiana votes.

Only in this way, the majority party argued, could a "fair recount" of the votes be obtained. To ensure "fairness," a Committee task force dominated by loyal majority party members was created in February. Their assignment: not to follow state law as required by the Constitution, but specifically to violate the law with a new set of rules – rules never used before in any election in any state, rules that would help their friend get back into Congress.

For the next two months the so-called "counting" went on. Nearly a half-million U.S. citizens were denied representation in Congress while bureaucrats from the government's General Accounting Office and taxpayer-funded consultants from both political parties descended on Indiana's Eighth District to count the votes for a third time. The cost: an estimated $1.00 for every vote counted, or nearly a quarter-million dollars.

The result? What started as a 418 vote McInyre lead became, on the last day, a four vote McCloskey lead. At this point, with 32 absentee votes left to count, the majority party-dominated Task Force decided to stop the count. They decided not to count the remaining 32 ballots.

It didn't matter that these 32 ballots were just like several others that had been counted the week before. It didn't matter that the County Clerks involved certified that these votes had been stored in complete security. It didn't matter that the professional recount director said in a public hearing that he

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"would have counted" votes like those in question. The majority party simply refused to finish the count.

The argument was adopted that the ballots had been stored in the wrong place. "We had to stop somewhere," said the Chairman of the Task Force. But how convenient that the "somewhere" was a four vote McCloskey "victory." And since the majority party in the U.S. House of Representatives had written the rules, not the State of Indiana, the only appeal was to that same majority!

There was a substantial public outcry. Editorials in over 20 major newspapers called for a new election. But the House of Representatives went ahead and gave McCloskey the Congressional seat the voters took away on election day.

On the House floor, nineteen brave majority party members voted along with the minority to hold a new election so the voters could make the final decision, but with Tip O'Neill's huge majority, the outcome was never in doubt. The majority in the House of Representatives had done what the voters in Indiana would not do. They had "re-elected" an old friend to Congress. How did this happen? First, the problem is not just that one party "stole an election." As the old saying goes, "Power corrupts, and absolute power corrupts absolutely." The fact is that in the past few years, the majority leadership of the House of Representatives has sought absolute power to recount votes in close elections. If someone does not say stop very soon, the abuse we have seen in 1985 could become an irreversible rot in the fabric of our constitution. How can any citizen have confidence in the value of his or her vote, when it will only be counted at the convenience of those already in office?

The Founding Fathers who wrote our Constitution foresaw exactly this problem when they allocated the power to set rules for Congressional elections. Article I, Section 4 of the Constitution said, "The times, places, and manner of holding elections for Senators and Representatives shall be prescribed in each state by the legislature thereof; but the Congress may at any time by law make or alter such regulations...." In other words, it is the states who make the rules for running elections and counting votes, unless both the House and Senate with the concurrence of the President pass laws to the contrary.

Yet in the case of Indiana, the U.S. Congressional majority claimed that some state law was "directory" and did not

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really need to be followed, while other parts of the law were "mandatory" and had to be followed strictly. The majority party appointed themselves to the power to decide which kinds of laws were which. Worse yet, the 2-1 majority on the task force simply made up counting rules as they went along, depending on how the vote "count" was going.

Patrick Henry, a leader in the debate over the original ratification of the Constitution, feared just such a misuse of power. He warned, "The control given to Congress over the time, place and manner of holding elections will totally destroy the [people's right to vote]."

Alexander Hamilton and James Madison writing in the "Federalist Papers" (probably the most widely used argument in favor of the Constitution) replied that since both the House and the Senate would have to concur, "there would be little probability of a common interest" to make election manipulation possible. They never dreamed that the majority party in one house would try to rewrite state election law unilaterally, without the concurrence of the other house and the President. "The improbability of the attempt," wrote Hamilton, "may be satisfactorily inferred from this single reflection, that it could never be made without causing an immediate revolt of the great body of the people headed and directed by the state governments."

The founding fathers were confident that their American system of checks and balances would endure. It did endure for many years. In one of the very first cases of an election dispute in 1793, the House decision was reported as follows: "The state law having prescribed a form of ballot and voting, the House rejected ballots cast in a different form." In 1851, the House report deciding another contested election declared: "The House is compelled when adjudicating any matter affecting the elections, returns or qualifications of any of its members to make the law of the State from which such members may be returned its rule of action." In 1870, a House report again declared: "This House can only be the judge of...whether each member has been elected according to the laws of his State...."

But gradually, politicians have tried to increase their power. In the words of a recent House decision: "Where State law was certain...the subcommittee was compelled by overriding considerations of equity to be guided by such technicalities (the

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law) only where they were found to protect a legitimate state interest." In plain English, this means the House decided that it could by itself ignore state law if the law served no "legitimate interest." Who decides what is a legitimate interest? You guessed it. A majority of the House of Representatives!

If Congress chooses to pass a Federal law overriding all state law for the counting of votes, that is Congress' right, so long as a majority in the House and the Senate approve and the President signs the measure, making it the law of the land. But the House should not simply continue to rewrite election law by itself.

The case of the 1984 Eighth District of Indiana Congressional District elections needs to be widely noted. Much has been written about democracy, and about systems of electoral representation, but nothing that has been written is of value if election fraud is permitted. The fact that a disputed election would be handled in the way the McCloskey/McIntyre election was handled here in the United States — the bastion of individual freedom and elected, representational government — should be of concern to all who are interested in the continued political well-being of the Free World.

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AN ECONOMIC MISINTERPRETATION OF HISTORY: A CRITIQUE OF GALBRAITH'S ACCOUNT OF AMERICAN CAPITALISM

By Chris R. Tame

Such is the devastating rebuttal by contemporary economists of J.K. Galbraith, that to add to it would almost seem superfluous.(1) Even those of his professional peers who share his political orientation maintain a discreet silence regarding the merits or demerits of Galbraith's contribution to economic science.

But, alas, in this age a lack of intellectual clothes does not seem to debar anyone from acclaim or influence, and Galbraith surely constitutes the barest academic "Emperor" of our time. While others expound socialism within economics with at least some semblance of dignity and adherence to the standards of their profession, Galbraith aims at, and influences, the lumpen intelligentsia, the "new class" purveyors, popularizers and consumers of ideas, and, of course, those sociologists for whom an objective, value-free social *science* remains a closed book.

Given the failure of past criticism of Galbraith to have had much impact upon his influence and reputation, it might seem arrogant or quixotic to add to it. But the repeated refutation of error, as tedious and unending as it might often seem, is a scholarly duty, and the only path to the eventual defeat of such error. It becomes a more urgent duty when that error is pregnant with deleterious consequences for the lives and liberties of the great mass of ordinary people.

The Age of Uncertainty

Amongst Galbraith's recent works *The Age of Uncertainty* is distinctive in two respects: it appeared both as a book and as a lavishly produced thirteen part television series; and it aimed to be "a history of economic ideas and their consequences,"(2) a mixture of intellectual and economic history. A certain degree of superficiality or simplification might be excused because of its (intended) popular audience, but Professor Galbraith cannot excuse himself from adherence to basic standards of scholarship or honesty. In spite of his claim to have prepared "careful essays"(3) on the topics of each chapter, *The Age of Uncert-*

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ainty constitutes not an honest attempt at popular education but an exercise in crude propaganda. To document this charge I thus propose to examine in detail one chapter (and corresponding television episode) of the work.

The Misconception of Social Darwinism

The second chapter of *The Age of Uncertainty* deals with "The Manners and Morals of High Capitalism." It focuses upon nineteenth century American economic history and on the alleged ideology and behavior (in both business and social life) of the capitalist "rich." Their ideology, he claims was that of "Social Darwinism," a set of beliefs which, among other concepts justified the wealth and position of the upper class by analogies to "natural selection" and "survival of the fittest." The philosophy of Social Darwinism, originated by Herbert Spencer, "fitted" we are told "the needs of American capitalism, and especially the new capitalist, like the celebrated glove." Spencer's disciples, like William Graham Sumner, were "very numerous" and their outlook constituted "very little less than divine revelation."(4) Visually, we are presented with the figures of Sumner and Spencer enunciating their "stern" doctrine from a pulpit against a quasi-ecclesiastical background – the implication of obscurantism, dogmatism, and reactionary apologetics being quite unmistakable. In the case of the characterization of Sumner, we observe a hesitant speaker, almost guilt-ridden, certainly one ill at ease with his conscience. The audience of stuffed dummies, representing the rich, clap joyously at Sumner's apologia for them – and money flutters from their hands. The message is quite clear, indeed blatant. Sumner, and the other allegedly numerous advocates of such ideas, were nothing more than the mercenary intellectual lackeys of the wealthy business elite.

How true is Galbraith's account of the intellectual hegemony and moral character of Social Darwinism? A curious impression emerges when reading, for example, the classic (and also hostile) study by Professor Richard Hofstadter of *Social Darwinism in American Thought*,(5) of the curious paucity of the supposedly numerous American apostles of Herbert Spencer. With the exception of Sumner (and also of the journalist E.L. Youmans, whom Galbraith does not mention) one is really hard pressed to find any other figure of significance systematically expound-

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ing his philosophy. And among businessmen, with the few exceptions of Rockefeller's – much cited! – "American Beauty Rose" analogy (and some occasional statements by J.J. Hill and Andrew Carnegie),(6) Social Darwinist arguments were equally notable primarily for their absence amongst those who sought to defend American capitalism. In the words of one historian of ideas, James Allen Rogers:(7)

> ...very few businessmen justified their actions by reference to Darwinism. If businessmen bothered to rationalize their life style at all, it was by reference to the tenets of classical economics or Christian morality. Only a few intellectuals and publicists popularized the terminology of Social Darwinism and they were not imitated by the business community.

The Motive Behind the Myth

Why, then, should Galbraith fail to take any note of such modern critical scholarship? A Harvard professor should surely be expected to be aware of the most up-to-date scholarship upon the period about which he is writing. Ignorance aside, then, the only answer is that Galbraith is writing as a political propagandist, not as a true scholar. Because he wishes to paint the period of "high capitalism" in the worst possible colors, the supposedly "stern" doctrines of the "survival of the fittest" (we are presented with pictures of snarling tigers) are admirably suitable for portrayal as the ruling creed of such a "barbarian, savage world." In the use of this tactic he certainly does not stand alone. The misrepresentations attached to the theory of Social Darwinism are of long standing, originating with the nineteenth century intellectual opponents of economic freedom, and adopted by historians (for example, Hofstadter) equally hostile to "capitalism." However, more recent scholarship, not concerned with defending either capitalism or Social Darwinism, but simply with the recovery of historical fact, have thoroughly demolished such historiographical mythology. As Robert C. Bannister has written in *The Journal of the History of Ideas*, the image of Social Darwinist apologetics is a "distortion and exaggeration that is perhaps better termed...a 'man of straw' set up to be knocked down."(8) It was "an image constructed and maintained by writers to [attack] traditional liberalism by charging that its tenets of individual-

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ism, free enterprise, competition, and laissez-faire were merely bogus biology."(9)

If Galbraith's assertions regarding the predominance of Social Darwinism are incorrect, equally so is his understanding – or at least, his presentation – of its fundamental character and motivation. The "stern doctrine" of Spencer and Sumner in no way condemned – as Galbraith implies – the masses to a "wholesome poverty." Quite the reverse. For Sumner it was only a laissez-faire economy which would ensure a life of prosperity and justice for all (or rather, for all productive individuals and groups). It was economic and social freedom which had procured "the vast increase in the production of means of subsistence, won at constantly diminishing outlay of labor and capital...lower[ing] money prices and [making] money wages worth more, and...at the same time, lower[ing] the rate of interest on capital and increas[ing] the demand for labor", and thus securing an increasing degree of "substantial comfort" for all.(10) And it was precisely the ordinary, hard working common man, the "forgotten man" as Sumner called him, who profited most from economic freedom. For Sumner, only economic freedom could secure a "clean and simple gain for the whole society"(11) and thus it was that "every step which we win in liberty will set the Forgotten Man free from some of his burdens and allow him to use his powers for himself and for the commonwealth."(12) That Galbraith undoubtedly does disagree with Sumner's positive analysis does not entitle him to represent it in so inaccurate a fashion.

Social Darwinism and Collectivism

Ironically, moreover, it was precisely among certain of the opponents of those who regard a thoroughgoing Adam Smith type of "capitalism" as being the ultimate answer to all economic questions, that Social Darwinism constituted a truly vigorous movement. This is hardly surprising to anyone who dwells seriously on the matter for a moment. The deterministic and holistic underpinnings of Social Darwinism are not totally unrelated to movements and philosophies of collectivism. And it was among "reform Darwinists" and collectivists of various hues – from nationalists and conservative corporatists, to sociological advocates of scientific elitism and statism, socialists, and even some Marxists – that Social Darwinism really flowered

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and received its most extensive and detailed developments.(13) Indeed, contemporary libertarian exponents of Adam Smith's economic and political philosophy of individualism and international free trade are highly critical of the collectivist premises within Social Darwinism, (14) The liberal historian Clarence Carson, in his study of the decline of liberal thought, stresses the anti-capitalist effect of Social Darwinism, even in the hands of Sumner, who pointed out that when the Darwinist outlook was accepted and consistently followed, ideas dependent on the older view [i.e. of Liberalism] such as the idea of "natural rights" for man had to be rejected.(15) Similarly, the intellectual historian and political philosopher Shirley Letwin has firmly placed Social Darwinism in that "new climate of opinion" of Victorian collectivism (16) – implying, as it does, racial competition as well as individual competition, and a call for group loyalty in a biological or racial sense.

The practice of selecting one particular idea and treating it as its most characteristic expression or, indeed, as the only justification to which it could have recourse, is an extremely common one.(17) The fact that socialist scholars consistently resort to such tactics says little for their intellectual integrity, their knowledge, or the cogency of their political ideas.

Confusing the Issues: Galbraith's Characterization of "Capitalism"

It is worthwhile, however, continuing our examination of William Graham Sumner a little further, for we find the truth not only far-removed from Galbraith's account, but extraordinarily illuminating concerning his broader treatment of the period.

Sumner was, in truth, a great scholar, and one of the undoubted founding fathers of American sociology. No mere scribbler in defense of vested interests, he was an indefatigible and active scholar, critical of what he called "*a priori* speculation and arbitrary dogmatism"(18) what one historian has called his "colossal industry"(19) was based on a mastery of thirteen languages. His pioneering research into cultural and comparative anthropology left numerous cabinets of detailed unpublished notes at his death – compiled, it should be observed, without benefit of the lavish foundation grants or financial support enjoyed by modern scholars like Galbraith.

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However, the major point is that Sumner was not a lackey of the business elite and the status quo. Quite the reverse. He was a vigorous and outspoken critic of the existing order (indeed, his position at Yale was never thoroughly secure), and specifically of precisely those features of his time which Galbraith presents as its essentially 'capitalist' characteristics. What, then, could be the meaning of Galbraith's misrepresentations?

Production Versus Predation

Galbraith argues that, in the world of "old fashioned capitalism," Spencer's 'natural selection operated excellently on behalf of scoundrels,"(20) and labels the system repeatedly as one of "capitalist predation."(21) In the history of the construction and operation of the railroads we are shown a presumably typical example, which manifests in practice "an interesting choice between two kinds of larceny– robbery of the customers and robbery of the stockholders."(22) What Galbraith in fact does concerning capitalism is to confuse the issue by amalgamating two distinct ways of acquiring wealth, what the classical liberal scholars used to call the "economic" and the political means. The former was honest production and trade in the marketplace; the latter was the use of the state to acquire special privilege and power, to intervene in the marketplace to protect and exercise dishonesty and coercion. Galbraith thus ignores the beneficial option of the free market. All capitalism, for him, is predation and deceit and no distinction is allowed between the economic and the political means to wealth.(23) Thus it was that Sumner was a vigorous and fearless critic of his time and of so many businessmen precisely because of their use of political means, their violation of the beneficial rule of laissez-faire. A "system of partial interference," he wrote, such as existed in America in his time, "is sure to be a system of favoritism and injustice."(24) A clear and frank analyst of the "class struggles and social war" in both historical and contemporary periods,(25) Sumner denounced the 'class' activities of busnessmen no less than those of 'labor' or any other group (as did most liberals from Adam Smith onwards, a truth socialists normally fail to mention). Like Pareto in his denunciations of "bourgeois socialism," or Bastiat in his analysis of the essence of "communism,"(26) Sumner identified and attacked illicit predation in all its manifestations:

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> The robbery of a merchant by a robber baron, the robbery of an investor by a railroad wrecker, and the robbery of a capitalist by a collectivist, are all one.(27)

The "selfishness, cupidity and robbery" which indeed existed in his time was not, for Sumner, a characteristic of the system of capitalism he sought, and nor was socialism any solution to predatory activities:

> There is a great deal of clamor about watering stocks and the power of combined capital, which is not very intelligent or well directed. The evil and abuse which people are groping after in all these denunciations is jobbery.
>
> By jobbery I mean the consistently apparent effort to win wealth, not by honest and independent production, but by some sort of scheme for extorting other people's production from them. A large part of our legislation consists in making a job for somebody.(28)

Sumner thus carefully distinguished between free market capitalism and the emerging "plutocracy" of his time. A "plutocrat" he defined as-

> A man who, having the possession of capital, and having the power of it at his disposal, uses it, not industrially, but politically; instead of employing labourers, he enlists lobbyists. Instead of applying capital to land, he operates upon the market by legislation, by artifical monopoly, by legislative privileges; he creates jobs, and creates and erects combinations, which are half political and half industrial; he practices upon the industrial vices, makes an engine of venality, expends his ingenuity, not on processes of production, but on 'knowledge of men', and on the tactics of the lobby. The modern industrial system gives him a magnificent field, one far more profitable, very often, than that of legitimate industry.(29)

Such plutocracy, then, Sumner declared to be "the most sordid and debasing form of political energy known to us. In its motive, its processes, its code, and its sanctions it is infinitely corrupting to all the institutions which ought to preserve and protect society."(30)

The solution to the power of plutocracy was, however, not simply 'more of the same' – further intervention or socialism, but laissez faire. "Plutocracy," Sumner wrote, "ought to be

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carefully distinguished from 'the power of capital.' The effect of the uncritical denunciation of capital, and monopoly, and trust ... is ... to help forward plutocracy."(31) For, "[if] plutocracy is an abuse of legislation and of political institutions, how can legislation do away with it? The trouble is that the political institutions are not strong enough to resist plutocracy; how can they conquer plutocracy?"(32) Sumner's argument has indeed been overwhelmingly confirmed by subsequent events. As the analyses of the political and regulatory processes conducted by 'Chicago School' economists have shown, regulation of the economy has been in general positively sought, and largely controlled, by the very interests which are supposedly to be subject to such regulation.(33) And the highly detailed research of numerous historians – New Left, Liberal, Libertarian, or apolitical – has similarly delineated the role of business in seeking a 'planned society,' and in financing the anti-capitalist opinions and movements which enabled them to achieve such desired intervention.(34) The period Galbraith describes as one of "high capitalism" was in reality nothing more than what it remains today – a 'mixed economy' in which the productive suffer the depredations of the 'political capitalists' and the meddlings of the coercive state and its apologists, the socialists intelligentsia. Sumner's conclusion, then, in the light of such experience seems even more worthy of consideration:

> ...the wise policy in regard to it is to minimize to the utmost the relations of the state to industry. As long as there are such relations, every industrial interest is forced more or less to employ plutocratic methods...Laissez-faire, instead of being what it appears to be in the most of the current discussions, cuts to the very bottom of the morals, the politics, and the political economy of the most important public questions of our time.(35)

The Case of the Railroads

But for Galbraith, all capitalist enterprise is inherently predatory. His account is devoid of any evidence of truly critical analysis. The distinction between the 'economic' and the 'political' means to wealth is apparently far too subtle to him. Instead, so obsessed with hatred is he for the businessman that even the slightest pretence at objectivity is disposed of. To ob-

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serve the repeated presentations of capitalists visibly 'bloating' — swinishly indulging in orgiastic scenes of gastronomic over-indulgence, vulgar ostentation and 'conspicuous consumption,' is more reminiscent of the crudest Soviet propaganda of the thirties rather than appropriate for a supposedly educational television series.

As a concrete example (the only one) of capitalist predation Galbraith cites the American railroads, and specifically, gives a gloating account of the conflict between the 'Erie Gang' (Jay Gould, Daniel Drew, and Jim Fisk) and Commodore Vanderbilt over the possession of the Erie railroad (a "deplorable, and sometimes lethal, streak of rust"). To be presented with the railroads, however, as a supreme example of free enterprise, is to be confronted with a piece of scholarly legerdemain that while common, still beggars description. In the words of the Liberal historian and writer Albert Jay Nock,

> Ignorance has no assignable limits; yet when one hears our railway-companies cited as specimens of rugged individualism, one is hard put to it to say whether the speaker's sanity should be questioned, or his integrity. Our transcontinental companies, in particular, are hardly to be called railway-companies, since transportation was purely incidental to their true business, which was that of land-jobbing and subsidy-hunting.(36)

The conflict between the Erie Gang and Vanderbilt was indeed a classic one between a group of predatory 'plutocrats' (the Gang) and a productive businessman (Vanderbilt), the latter forced only to use the state (e.g. bribe judges) in self-defence. Indeed, Vanderbilt suffered repeatedly from the harassment of legislatures and politicians whose interventions were introduced with the specific intention of eliciting bribes. The history of the railroads was an object lesson in conflict between true free enterprise and the interventionist 'political capitalists.' Railroads were the area most subject to government interference, and hence the area in which fraud, corruption, and predation were most rife. And it was precisely those who utilized the state for economic ends, the 'political capitalists' or 'plutocrats,' who exemplified the predation which Galbraith ascribes to the 'capitalist' and to 'capitalism' *per se*. As Ayn Rand has succinctly put it:

> The railroads with the worst histories of scandal, double-

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> dealing, and bankruptcy were the ones that received the greatest amount of help from the government. The railroads that did best and never went through bankruptcy were the ones that had neither received nor asked for government help.(37)

There were, in fact, many productive, honest businessmen even in the railroad business. The lines constructed by Vanderbilt (and his son) for example, were, in the words of a leading economic historian, Louis M. Hacker, "well run; had a splendid roadbed and modern equipment; and were able to survive the depression of 1893-96, paying dividends throughout these difficult times."(38) Not a word about J.J. Hill, whom Hacker terms "the railroad man par excellence"(39) is allowed to enter — and spoil — Galbraith's account of the period. Hill's Great Northern was constructed without government grants or special privilege, was financed soundly and honestly, constructed safely and efficiently, and charged the lowest rates of all the Western railroads. Moreover, Hill, recognizing the stake of his system in the prosperity of the surrounding communities in the whole Northwest, vigorously assisted their general economic development — helping in their construction, guiding agricultural projects and cattle breeding, providing instruction in crop rotation and the use of irrigation and fertilizer, and opening banks.(40) So much for Galbraith's view of the two alternatives open to the railroad men — robbery of the public or of the stockholders! That he should feel so free to condemn a whole 'class' in such terms indeed confirms Ayn Rand's description of productive businessmen as "America's persecuted minority."(41)

The Forgotten Men

Amidst digression into such trivialities as the love-life of Jim Fisk, and the menu of a banquet for the dogs of the wealthy, Galbraith deems productive entrepreneurship of no significance. Nowhere do we find any admission on Galbraith's part that this was the great age of industrialization, nor that this process could hardly have taken place had all businessmen been "predatory" plutocrats. That the United States became an industrial nation, absorbed millions of immigrants, and began the task of raising them from the "wholesome poverty" (which Galbraith attempts to identify with capitalism) to the highest

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standard of living in the world escapes his attention. The words of Louis M. Hacker should suffice to remind us of the achievements:

> The United States of the post-Civil War period, a developing country, was transformed in not more than a single generation into the greatest industrial nation of the world. At the same time, balanced growth took place... A complete transportation net, the beginnings of the generation of electrical power and its transmission, the creation of new industries, the modernizing of farm plants: all were accomplished in this brief time.(42)

And, as Hacker also points out, this was due to "a free market, private accumulation and investment, and the unhampered activities and leadership of a sizeable company of entrepreneurs, or innovators."(43) Not a word do we hear from Galbraith of this achievement and of those entrepreneurs who another economic historian has called a "Vital Few."(44) "Producing cheap, suppressing competition, and then selling dear" is virtually his sole comment on the American businessman of the period. Not a word of the achievements of Vanderbilt or Carnegie, or of men like Henry C. Frick in iron and steel, Cyrus H. MacCormick in agricultural machinary, George Westinghouse, Thomas Edison and Frank J. Sprague in electrical equipment, Philip Armour and Gustavus F. Swift in meat packing or William Clark (of Singer Sewing Machine) in marketing.(45)

Conclusion

Galbraith's failure to display any acceptable degree of objectivity or analytical acumen is manifest, moreover, in his lengthy treatment of the manners and mores of the time. Thus he concentrates on examples of that which he describes as the "conspicuous consumption" of the "leisure class," its displays of "over-indulgence and waste," and its "obsession" with aging European aristocratic life-styles.

There is, of course, much more one could criticize in *The Age of Uncertainty*. Each chapter could be subject to the sort of critical analysis I have performed here, and with, I would argue, the same effect. Amongst other things one would have to deal with are:

1. Galbraith's total failure to deal with his book's alleged

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subject matter, the actual relevance of economic concepts to historical reality, their actual use in the formation of policy and their effects upon that formation and the passage of events.

2. The ludicrous inbalance in the attention given to free market economists like Adam Smith, as distinct from socialist proponents such as Thorstein Veblen.

3. The total misrepresentation of Adam Smith's thought manifest in Galbraith's attempt to impugn his principles and motives.

4. The outrageous attempt to portray the highland clearances and the Irish potato famine as consequences of laissez faire capitalism rather than state interventionism.

5. The puerile obsession with sexual innuendo and tittle-tattle.

6. The *parti pris* displayed in his constant sniping at the misdeeds of President Nixon and his supporters, while ignoring the amply documented curruption and misdeeds of President Johnson and Democratic politicians.

7. Galbraith's inability to concede the existence of any academic criticism of Keynesian theory and policy.

8. The mixture of falsehood, innuendo and invention with a (very) few basic facts for the purpose of misrepresenting the big corporation and the lifestyle of its employees.

Just as the twentieth century will be remembered as a period notable for the debasement of currencies by the governments of states, so it will equally be remembered as a period of the debasement of academic standards in the cause of political ideologies. Professor Galbraith's work represents a sorry example of the latter phenonenon.

FOOTNOTES

(1) Milton Friedman's *From Galbraith to Economic Freedom*, Institute of Economic Affairs, London 1977, contains not only Professor Friedman's own critical comments on Galbraith, but extracts many of the major criticisms by other economists. I added to this paper a brief bibliography of other works critical of Gailbraith and his principal ideas (pp. 63-64). To that bibliography I would now also add: Sir Frank McFadzean, *The Economics of John Kenneth Galbraith: A Study in Fantasy*, Centre for Policy Studies, London, 1977, C. Wilcox, "On the Alleged Ubiquity of Monopoly." *American Economic Review*, Papers and Proceedings, May 1950; I.T. Kaplin, "The Profit Maximization Assumption," *Oxford Economic Papers*, July 1963; S. Peterson, "Corporate Control and Capitalism," *Quarterly Journal of Economcis*, February 1965; "Symposium: Reappraisal of the Doctrine of Consumer Sovereignty," *American Economic Review*, Papers and Proceedings, May 1962; J. Backman, *Advertising and Competition*, New York University Press, 1967.

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(2) According to the blurb on the front cover of the American, but not the British edition.

(3) *The Age of Uncertainty*, British Broadcasting Corporation and Andre Deutsch, London 1977, p. 9.

(4) Ibid., p. 45.

(5) Richard Hofstadter, *Social Darwinism in American Thought*, Beacon Press, Boston, 1955.

(6) See Hofstadter, ibid., p. 45 passim.

(7) James Allen Rogers, "Darwinism and Social Darwinism," *Journal of the History of Ideas*, Vol. XXXIII, no. 2 April-June 1972. For other re-examinations of the business ethos, see Irwin G. Wyllie, "Social Darwinism and the Businessman," in Carl N. Degler, ed., *Pivotal Interpretations of American History*, (two vols.), New York, 1966; *The Self Made Man*, Rutgers University Press, 1954; and R.J. Wilson, ed., *Darwinism and the American Intellectual*, Homewood, Illinois, 1967.

(8) Robert C. Bannister, "The Survival of the Fittest is our Doctrine: History or Histrionics?", *Journal of The History of Ideas*, Vol. XXXI, no. 3, July-Sept., 1970, p. 398.

(9) *Ibid.*, p. 397. See also the comments of another eminent historian of pholosophy, John Herman Randell, Jr. in his "The Changing Impact of Darwin on Philosophy", *Journal of the History of Ideas*, Vol. XXII, No. 4, Oct.-Dec., 1961, Randell states: "The truth is that 'Social Darwinism', 'Darwinian ethics', was never popular or influential", p. 446. On Sumner he remarks: "(he) was a Republican who bitterly attacked any protective tariff, so his influence was very small, except on Yale students.", p. 445.

(10) William Graham Sumner, "Who Wins by Progress", in Stow Persons, ed., *Social Darwinism Selected Essays of William Graham Sumner*, Prentice-Hall, Englewood Cliffs, N.J., 1963.

(11) William Graham Sumner, "The Forgotten Man", in *Ibid.*, p. 133.

(12) Ibid., p. 135.

(13) See Hofstadter, op. cit., and also Shirley Letwin, *The Pursuit of Certainty*, (Cambridge University Press, 1965) on Benjamin Kidd and David G. Ritchie, two notable English anti-capitalist Social Darwinists. Benedetto Croce, in *Politics and Morals*, (Allen and Unwin, London 1946), pp. 91-92, also see Social Darwinism as the inspiration for the 'left' and 'right' wing versions of collectivism – communism and antionalism. See also the discussion of the 'imperial socialists' in Bernard Semmel's *Imperialism and Social Reform: Social-Imperialist Thought 1895-1914*, Allen and Unwin, 1960. Semmel points out that such "premature" Social Darwinists as Thomas Carlyle, Charles Kingsley and Charles Dickens were as much critics of laissez-faire as they were of 'inferior races', The Fabian socialists were not only elitist and nationalist in outlook, but strongly influenced by eugenicist and racialist ideas (pp. 50-51)

(14) For example, Ayn Rand, *For the New Intellectual*, New American Library, New York, 1961, p. 37.

(15) Clarence B. Carson, *The Fateful Turn: From Individual Liberty to Collectivism. 1886-1960*, Foundation for Economic Education, New York, 1963, p. 47

(16) Letwin, op. cit., p. 336

(17) As Professor Tibor Machan has notably and frequently pointed out. For example, "Selfishness and Capitalism", *Inquiry*, Vol. 17, No. 3, Autumn 1974, p. 338.

(18) "Sociology", in Stow Persons, op. cit.., p. 8.

(19) Harry W. Odum, *American Sociology: The Study of Sociology in the United States Through 1950*, Longmans, Green and Co., New York, 1950. In contrast to Galbraith's presentation of Sumner as a guilty and hesitant speaker, it is worthwhile to quote the reminiscences of one of his students, who wrote: "The majority of our teachers were mechanical and dull, routine hearers of recitations.

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But we came to *his* (i.e. Sumner's) teaching with eager expectations and were never disappointed. He invited and loved intellectual resistance. Every sentence he spoke was a challenge", William Lyon Phelps, "Introduction" to Sumner's *Folkways,* New American Library, New York, 1960, p. xi. See also Ronald Fletcher's account of Sumner's scholarship in his *Making of Sociloogy: A Study of Sociological Theory. Vol. 1 Beginnings and Foundations*, Michael Joseph, Lonson, 1971.

We should also not allow Galbraith's disparaging treatment of Herbert Spencer, another figure of monumental and tireless scholarshop, to pass unchallenged. To contempuously dismiss, as does Galbraith, such a genuine seeker after truth is a further disgraceful breach of scholarly standards. As one historian of philosophy – certainly no disciple of Spencer – has written:

> On the whole, when his system is compared with other pretantious philosophical systems of the nineteenth century, it will be found to be more firm and substantial then most. He often went wrong, but this was not due to any want of industry or any deliberate ignoring of the facts on his part. No philosopher of his age was more addicted to facts than Spencer, or so assiduous in their pursuit. This is his great virtue. If Spencer generalized too readily, he at any rate generalized from observable facts, and his errors can be corrected by the same process of observation and inductive generalization.

Henry D. Aiken, ed., *The Age of Ideology: The Nineteenth Century Philosophers,* New American Library, New York, 1956, p. 169. Also noteworthy is the recent favourable reconsideration of Spencer's work, after decades of neglect, by sociologists. See, for example, J.Y.D. Peel, *Herbert Spencer: Structure, Function and Evolution,* Michael Joseph, London, 1971.

(20) Galbraith, op. cit., p. 49.

(21) Ibid. p. 55.

(22) Ibid. p. 49.

(23) Although later in the book Galbraith emphasizes the "anarchic rapacity" (p. 249) of *early* capitalism, he makes it quite clear in chapter 8 that he does not believe the "morality" of "advanced" capitalism has improved. He thus regales us with a listing of some notable English and American businessmen guilty of fraud, theft and bribery (of bureaucrats and politicians). One wonders how any goods ever get to be produced.

(24) William Graham Sumner, "State Interference", in Persons, op. cit., p. 101.

(25) William Graham Sumner, "Social War in Democracy", ibid., p. 60.

(26) See S.E. Finer, ed., *Vilfredo Pareto: Selected Sociological Writings,* Blackwell, Oxford, 1976; Frederic Bastiat, *Selected Essays on Political Economy,* Foundation for Economic Education, Irvington-on-Hudson, N.Y., 1964.

(27) Sumner, "Social War in Democracy", ibid., p. 120

(28) Sumner, "The Forgotten Man", ibid., p. 120

(29) Sumner, "Democracy and Plutocracy", ibid., pp. 146-147

(30) Sumner, ibid., p.145

(31) Sumner ibid., p. 145

(32) Sumner, ibid., p. 149

(33) See, for example, George J. Stigler, "The Theory of Economic Regulation" *Bell Journal of Economics and Management Science,* vol. 2, no. 1, Spring 1971.

(34) Among a large number, see Gabriel Kolko, *The Triumph of Conservatism,* Free Press of Glencoe, New York, 1963: *Railroads and Regulation, 1877-1916,* W.W. Norton, New York, 1970; James W. Weinstein, *The Corporate Ideal in the Liberal State, 1900-1918,* Beacon Press, Boston, 1968; Murray N. Rothbard and Ronald Radosh, eds., *A New History of Leviathan,* E.P. Dutton, New York, 1972. Antony C. Sutton, *Wall Street and FDR* Arlington House, New Rouchlele, New 1975; *Wall Street and the Bolshevik Revolution,* Arlington House, New Rouchelle, New York, 1974; *Wall Street and the Rise of Hitler,* Seventy Six Press, Seal Beach

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California, 1976. And on the body of 'apolitical' and 'modern Liberal' revisionist work, see my own "Revisionism from the Centre", *Libertarian Forum*, Nov. 1972 and "The Growth of Revisionism From the Centre", ibid., May 1974.

(35) Sumner, "The Concentration of Wealth", in Persons, *op. cit.*, p. 149

(36) Albert Jay Nock, *Our Enemy, The State*, Caxton Printers, Caldwell, Idaho, 1950, p. 191.

(37) Ayn Rand, "Notes on the History of American Free Enterprise", in *Capitalism: The Unknown Ideal*, New American Library, New York, 1963.

(38) Louis M. Hacker, *The World of Andrew Carnegie, 1865-1901*, J.B. Lippincott, Philadelphia, 1968, pp. 218-219.

(39) Ibid., p. 225.

(40) See ibid., pp. 224-226.

(41) Rand, "America's Persecuted Minority: The Big Business", in op. cit..

(42) Hacker, op. cit., p. xxv.

(43) Ibid., p. xxv.

(44) Jonathan Huges, *The Vital Few: American Economic Progress and its Protagonists*, Oxford University Press, New York, 1973. And also see his "Eight Tycoons: The Entrepreneur and American History", in R.M. Robertson and J.L. Pate, eds., *Readings in United States Economic and Business History*, Houghton Mifflin, Boston, 1966.

(45) Hacker, op. cit., p. xxxvi. In factc Galbraith completely ignores the whole post-war schoole of revisionist business and entrepreneurial studies, which, while by no means engaging in apologetics for businessmen, arrived at a far more objective, knowledgeable and sophisticated assessment of their role in, and contributions to America's economy and society. Notable contributors to this re-assessment were such eminent scholars as Arthur H. Cole, Thomas C. Cochran, William Miller, Alfred D. Chandler, and, of course, The Research Centre in Entrepreneurial History at (Galbraith's own) Harvard University. See for example, Thomas C. Cochran, "The Legend of the Robber Barons", in R.M. Robertson and J.L. Pate, eds., op. cit.

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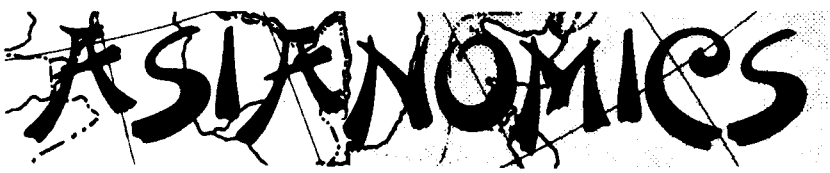

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THE ECONOMICS AND POLITICS OF RACE: AN INTERNATIONAL PERSPECTIVE

Thomas Sowell

William Morrow and Company, Inc., 105 Madison Avenue, New York, New York 10016. 1983, 324 pages, $15.95

Author Thomas Sowell, a Senior Fellow at the Hoover Institute at Stanford University, examines racial and ethnic conflicts in an international framework in an effort to find answers to such questions as: How much of any minority group's economic state depends upon their own culture and how much upon the way they are treated by the larger society around them?

A fascinating chapter on "The Overseas Chinese" documents the Chinese experience through history in Thailand, Malaysia, Indonesia, the Philippines, Indo-China, and the United States. It shows the consistency by which overseas Chinese overcome extensive hostility and adversity to survive and prosper. In the wake of their achievements, Dr. Sowell notes, those who coined the phrase "not a Chinaman's chance" knew little of the resolution and perseverance of these people.

Sowell's chapter "Emigrants from Europe" looks at the experience of Germans, Irish, Italian, and Jewish populations in the United States, Brazil, Australia, and other areas. The author then directs attention to blacks and coloreds in the Caribbean and South America, South Africa and the United States. After setting forth this historical background, Dr. Sowell turns attention to analysis of group differentials. The international perspective permits examination of a given ethnic group in a wide variety of societies. If society is the dominant influence in ethnic group differentials, we would expect, for instance, to observe fewer similarities between Brazilian Germans and Australian Germans than if the German cultural imprint remains strong wherever Germans settle in the world. Or, if the economic performance of the Chinese greatly exceeds that of the Malays in a number of countries (including Malay-

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sia), to what extent should a given society be regarded as responsible for the statistical differences between ethnic groups (often described as "inequities" and as alleged prima facie indicators of "discrimination" or "racism")? If the people of Japan economically outperform the people of Mexico, to what extent are statistical differences between the Japanese and the Mexicans in California a product of American society?

Sowell finds that internal patterns tend to follow the same group around the world, and produce the same results. Racial and ethnic groups differ enormously in their economic performance whether in their respective homelands or in other areas where they exist under similar climatic, geographic, legal and political conditions.

Sowell's point is not to praise or blame races and cultures, but to point out the empirical fact that economic performance differences are quiet real and quite large. Cultures, as Sowell observes, are ultimately ways of accomplishing things, and the differing efficiences with which they accomplish different things determines the outcome of very serious economic and political endeavors. To ignore the role that performance differentials have played in human history is to ignore or misdiagnose important factors at work in that history.

Noting that a great deal of contemporary philosophical effort is put into the premise that different patterns of group "representation" in various occupations must reflect discriminatory decisions by others, Dr. Sowell observes that the cultural advantages that enable some groups to advance, particularly from poverty to affluence, need not be specific skills:

> ...The Chinese who immigrated into southeast Asia or the United States usually had little to offer besides a monumental ability to work hard and long, and to save their money...Attitudes and work habits are often more crucial — and take longer to acquire — than do specific skills. The Chinese's aptitude for arduous and painstaking work — demonstrated in numerous manual occupations in southeast Asia and the United States — readily produce scientists and mathematicians in both places. Groups without such traits seldom choose science and mathematics as fields of study, even when they are financially able to reach the college or university level.

Dr. Sowell calls attention to some of the wide-ranging dis-

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parities in fields of study. Many variables are behind such choices, but given the fact that differential choices are made, disparities in occupational "representation" cannot be attributed automatically to employers. Further, the prevailing assumption of equal group representation or equal income distribution in the absence of discrimination is contrary to the overwhelming evidence of pronounced patterns that follow each group around the world. Neither, as Dr. Sowell demonstrates, can historical cultural differences be reduced to cliches such as alleged "economic disadvantage" in "society." American Negro, Mexican, and Indian students from families with incomes of $50,000 or more per annum score lower on the mathematics portion of the Scholastic Aptitude Test than do Asian American students from families with incomes of $6,000 and below. Similarly, the Japanese in Japan "have a much higher proportion of their college population specializing in mathematical and technical fields than do American college students. And no one familiar with the perseverance of the Chinese in numerous occupations around the world throughout history should be surprised at their 'over-representation' in disciplines that demand persistent application."

Dr. Sowell's point is not given as criticism of those who choose less demanding fields, but to illustrate the reality of cultural differences, and of differential choices, which are the result of many factors. Sowell's valuable book highlights the conflict between economics and politics. Politics makes it politically difficult to correctly diagnose problems in public, and without correct diagnosis, correct prescription is unlikely. Benefits earmarked for a particular group are especially helpful for that group's political leadership, even if these benefits are less valuable than alternative benefits the group might have obtained by alternative policies benefitting the society as a whole. Even if earmarked benefits are outweighted by the group's losses through the adverse effect of these benefits on the national debt, inflation, or other consequences, it is still in the interest of group political leadership to pursue a course of political favor.

Sowell thinks in terms of cultural and economic realities, not in terms of political "oughts" or atonement devices for alleged or real prejudice or discrimination. He notes how the market undercuts political efforts at discrimination. Dr. Sowell is a

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voice for reason and reality rather than demagoguery and condemnation.

Tommy Rogers, Ph.D., J.D.

THE SOCIAL SECURITY SWINDLE
Irwin Schiff
Freedom Books, P.O. Box 5303, Hamden, CT 06518, 1984 pp. 256, $12.95 (cloth).

The libertarian David Bergland once described Social Security as the world's greatest chain letter: Send money (an amount which was once an innocuous 1% of the first $3,000 earned annually initially, but which has become a major form of income tax today); If you do not send money, bad things will happen to you (like going to jail); Sign your name at the bottom of the list and someday government will force other people to labor for your benefit. Schiff introduces his discussion of "the Social Security swindle" with an account of Charles Ponzi, whose scheme was to obtain money on promise of a profit, and establish credibility by paying off other "investors" with money given him by new "investors." Early winners are necessary for such scams to work. In author Schiff's view, the only difference between Social Security and Ponzi's scheme is that Social Security is larger and is implemented by force.

Irwin Schiff believes that politicians do not raise society's standard of living, but lower it. He supports this view by pointing out that it is a fundamental economic law that any society will get less of what it taxes and more of what it subsidizes, including crime, disability, delinquency, dependency, incompetency, and unemployment. Since Social Security "benefits" are tied to "not working" (not "engaging in substantial gainful activity"), Social Security emoluments are a subsidy for "not working and constitute a penalty for working.

Social Security was marketed as the end of problems attendant to unemployment and withdrawal from the labor force due to chronicity (age sixty-fice was arbitrarily selected because of the comparatively small percentage of the population then attaining this now relatively unadvanced age). The sponsors claimed Social Security would have gigantic "insurance reserves."

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Today, thirty-six million Americans receive Social Security "benefits." There is no reserve. There is not going to be a reserve. Future payments require inflation. Pointing to the efforts of Congress to obtain more chain to "save" the chain letter system, Schiff insists that the bottom line is that "the longer the nation persists in believing that Social Security is viable, the greater the ultimate injury to the nation will be."

Government Trust Funds do not represent "funds," Schiff continues, they are not "securities." The Social Security Trust Fund allegedly consists of "interest bearing IOU's" which, in effect, means that government has spent the money and given itself an IOU, meaning that it is promising to take the production of future taxpayers. The point is made that while Social Security might have geen palatable in 1950, when each person taking a "beneffit" was supported by 16½ workers, "can the government force two American workers to support a third — when such workers might, themselves, not be able to afford a house, a car, or their own fuel bill?"

Schiff maintains that government is currently trying to persuade younger Americans to believe that they are bound by some kind of "compact" under which they deliver on the promises made over the past half-century, whereas older Americans were talked into believing that their benefits would come out of their own "contributions." Since these "contributions" have been spent, we now have a "compact."

Government guarantees, he continues, are backed by nothing more than its willingness to print money which, in the final analysis, wipes out the value of all that is guaranteed. Social Security taxes are routinely increased (even when politicians claim taxes are being cut) based solely on the government's contention that increased taxes are required to pay increasing costs. Schiff makes a strong argument for the position that the financing scheme operates contrary to the very conditions on which the supposed "constitutionality" of Social Security was originally sustained.

The author highlights a number of other flaws in the system, such as foreigners who enter the U.S. for the express purpose of obtaining social security, government purchase of unemployment, the illusion that the system is watched by "trustees," as well as other capital destroying practices of government. Not content with merely calling for a severe cuts in the social secur-

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ity system, which he believes are politically impossible in a democracy, Schiff calls for a program of what he calls "real social security" and the "antipoverty," namely: "By getting the government out of all those areas into which it has now blundered (such as Social Security, agriculture, education, labor relations, 'human resources,' etc.)," and forcing it to "concentrate on the only two areas where the Federal government is really needed – national defense and foreign policy."

ISRAEL'S GLOBAL REACH: ARMS: AS DIPLOMACY
Aaron Klieman
Pergamon-Brassey's International Defense Publishers,
Elmsford, New York, 1985

Author Aaron Kleiman spotlights a significant development in the balance of international power in this remarkable new book. He draws attention to the fact that Israeli arms are found in every region of the world – Western Europe, North America, Central and South America, throughout Africa, and in many countries of Asia. Israel has military relationships with more than 50 countries. The number cannot be calculated exactly because of tacit understandings with some governments which are unwilling to maintain formal ties but which secretly fulfill their military procurement needs with Israeli arms. Israel's arms sales, estimated at more than one billion dollars a year, are of great importance to the Israeli economy. More than that, they have permitted Israel to quietly extend its diplomatic reach into many corners of the world.

Arms sales and production are one of the few bright spots in the beleaguered Israeli economy. Israel has even achieved a unique status through its highly articulated capacity to recondition or modify both U.S. and Soviet equipment. Initiated largely with official and unofficial U.S. and French aid – with pro-Israel Jewish men and women holding vital positions in defense research and defense industry administration, as also key political positions, in these and other countries – more than 112 Israeli industries produce arms for the export market, as well as for Israel's own defense. These armament industries employ more than 60,000 people, and positive spin-offs are generated for the non-military sector, providing innovative techniques and breakthroughs in such areas as materials, electro-

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optics, lasers, telecommunications, and avionics. The military industries set the pace for Israeli research and development, high-tech adaptation, industrial manufacture and export.

Arm sales account for at least one-fourth of all Israeli industrial exports. A 1984 growth rate of more than 20 percent in industrial exports is due in no small measure to a continuing success in marketing quality products of proven combat worthiness which have direct military application and sometimes can also be used in civilian roles. Author Klieman expresses the opinion that military goods and services today come close to dominating Israeli's foreign trade, notwithstanding the virtual monopoly that such items as Israeli fruit (e.g. Jaffa oranges) hold in many Western European markets.

Emphasis on economics is insufficient to understand what motivates Israel. Arms sales are viewed as part of the broader program of Israeli foreign policy and contribute meaningfully to Israel diplomatic goals. While larger production runs of military equipment enable the Israeli armed forces to be better prepared at lesser cost, on the diplomatic front arms sales bring Israeli influence and prestigious contacts in foreign lands, leading often to other commercial openings, and ultimately to the ability to preempt Arab influence. This mix of political, military, and economic motives has led to an ambitious program of conventional weapons sales, with some of the most well known items being the Uzi and Galil small arms, the Gabriel ship-to-ship missile, the Merkava tank, the Kfir jet fighter (copied from the plans of the French Mirage supposedly obtained by espionage), and most recently, the Mazlat reconnaissance drone.

When influential members of the U.S. Congress lobbied against the sale of U.S. made weapons to countries whose politics they regarded as unacceptable, such as Somoza's Nicaragua, and their lobbying efforts prevented the sale of U.S. weaponry to those countries, the ban on American sales removed America as a competitor, directing business to the Israeli armaments industry, and obliging the targetted country to yield to the diplomatic and commercial wishes of its new supplier of arms.

In Israel itself there is a virtually unanimous domestic consensus in favor of Israeli weapons diplomacy. Israel's policy for selling arms abroad is supported by powerful interest groups centered in the defense establishment and in the arms indus-

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tries. Arms sales policymaking in Israel has been characterized by: centralized decisionmaking focusing on the Ministry of Defense, the continuing support of all elected governments, approval of the Knesset, and wide public endorsement. There is virtually no criticism in Israel of the general policy direction, although there may be some discussion of particular sales to a particular country.

Author Klieman notes that Israel has sometimes been criticized in the United States for the sale of U.S.-developed weaponry or of U.S. supplied military equipment to other countries. As Israel becomes a competitor of the U.S.A. in the world arms market, U.S. industry and labor has shown signs of resenting the continuing U.S. direct and indirect financial and technological support of the Israeli arms industry. Nevertheless, the author seems to think that rumblings of this nature will not affect U.S. Administration policy, and that Israeli leaders, confident of their position, are already looking with ambitious eyes at the huge U.S. Defense Budget. It would certainly be a coup if the U.S. subsidized Israeli armaments industry could become a major contractor to the U.S. military in the face of competition from the U.S. armaments industry itself.

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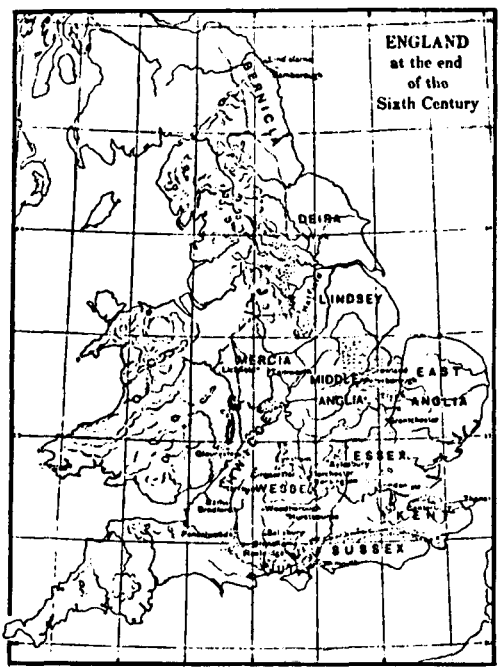

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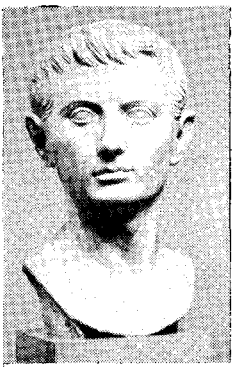

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